

# **SOL PLAATJE LOCAL MUNICIPALITY**



CITY OF KIMBERLEY

## **SOL PLAATJE LOCAL MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS**

for the year ended

**30 June 2018**

# **SOL PLAATJE LOCAL MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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# SOL PLAATJE LOCAL MUNICIPALITY

## GENERAL INFORMATION

### FOR THE YEAR ENDED 30 JUNE 2018

EXECUTIVE MAYOR	Alderman OM Matika		
SPEAKER	Councillor B Springbok (Acting)		
GRADING OF THE LOCAL AUTHORITY:	Grade 5	NC091	
AUDITORS:	Auditor-General of South Africa Block 1 Montrie Corporate Park 10 Oliver Road Monument Heights Kimberley 8301 Telephone 053-8311016 Fax 053-8326277		
			Private Bag X5013 Kimberley 8300
BANKERS:	Standard Bank Old Main Road Kimberley 8301 Telephone 053-8078215 Fax 053-8078173		
			P.O. Box 626 Kimberley 8300
REGISTERED OFFICE:	Civic Centre Sol Plaatje Drive Kimberley 8301 Telephone 053-8306911 Fax 053-8331005		
			Private Bag X5030 Kimberley 8300
MUNICIPAL MANAGER:	Mr G Akharwaray	B.Proc.LLB, Certificate in Management	
CHIEF FINANCIAL OFFICER:	Me ZL Mahloko	B.Comm Hons	
MEMBERS OF COUNCIL:	<b>Councillor Ward</b> 1 Francis BP      12 Mokgalagadi M      23 Vorster PJ 2 Visagie L      13 Wapad MR      24 Steyn SM 3 Lewis CB      14 Pieterse LHS      25 Fourie OC 4 Mpanza TH      15 Keetile WM      26 Makhamba BJ 5 Mohapi PM      16 Stout BJ      27 Hammer N 6 Setlholo DT      17 Petoro GI      28 Griqua SH 7 Kwagile PP      18 Van Wyk PR      29 Springbok B 8 Ngoma TC      19 Tshite BP      30 Kock GP 9 Monyamane GK      20 Pearce C      31 Keme BJ 10 Gomba JT      21 Van Rooyen WA      32 Lekhatlanya MJ 11 Qonga YT      22 Maditse NM      33 Sebegu KM <b>Councillor Proportional</b> 1 Badenhorst EL      12 Kruger F      23 Mpampi S 2 Beylefeld MJ      13 Liebenberg R      24 Mpongisa IM 3 Bishop PD      14 Louw M      25 Niemann E 4 Boshoff WJ      15 Ludick RA      26 Phiri KC 5 Boqo AN      16 Matshediso OM      27 Plaatjie OB 6 Buda HU      17 Meintjies M      28 Shushu LN 7 Chinkuli DS      18 Meleng LP      29 Steenkamp DL 8 Doyle MS      19 Miller HB      30 Thabane MP 9 Duba LF      20 Mokae OJ      31 Thulo FL 10 Johnson E      21 Morwe RT 11 Kika SN      22 Moshweu MM		

**SOL PLAATJE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

I am accountable for the preparation of these annual financial statements, which are set out on pages 3 to 79, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I acknowledge full responsibility for the system of internal financial control and the duty to maintain adequate accounting records as required by MFMA 56 of 2003.

  
KR Sebolecwe  
Municipal Manager Acting  
31 August 2018

**SOL PLAATJE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 June 2018**

	Note	2018 R	2017 R	2018 Budget R
<b>ASSETS</b>				
<b>Current Assets</b>		<b>1,484,123,970</b>	<b>1,355,404,506</b>	<b>1,224,887,268</b>
Inventory	2	36,166,686	31,935,661	36,865,448
Trade Receivables from Exchange Transactions	4	823,389,837	708,946,130	352,703,073
Trade Receivables from Non-Exchange Transactions	5	456,272,392	360,480,968	580,342,262
Cash and Cash Equivalents	6	135,240,198	245,735,328	243,689,495
Vat Receivable from Exchange Transactions	8	33,054,857	8,306,419	11,286,990
<b>Non-Current Assets</b>		<b>1,869,966,393</b>	<b>1,686,168,773</b>	<b>1,939,419,423</b>
Property, Plant and Equipment	9	1,647,079,959	1,471,108,695	1,720,397,200
Heritage Assets	9	7,863,705	7,863,705	16,017,354
Intangible Assets	10	11,052,314	3,825,728	3,695,728
Investment Property	11	194,125,578	195,886,029	197,586,806
Trade Receivables from Exchange Transactions	4	8,723,975	6,133,346	1,558,199
Trade Receivables from Non-Exchange Transactions	5	1,120,862	1,351,270	164,136
<b>Total Assets</b>		<b>3,354,090,363</b>	<b>3,041,573,279</b>	<b>3,164,306,691</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>		<b>344,136,378</b>	<b>266,704,315</b>	<b>268,626,254</b>
Consumer Deposits	13	32,340,693	26,182,008	34,555,475
Employee Benefits	14	59,895,519	54,091,746	10,516,122
Payables from Exchange Transactions	15	168,055,164	133,117,331	188,385,520
Unspent Conditional Grants and Receipts	16	31,731,875	12,349,709	-
Vat Payable from Exchange Transactions	17	39,432,987	32,725,353	25,918,627
Current Portion of Long-term Liabilities	18	12,680,140	8,238,168	9,250,510
<b>Non-Current Liabilities</b>		<b>441,306,497</b>	<b>426,578,466</b>	<b>427,301,038</b>
Long-term Liabilities	18	204,225,630	210,434,634	192,949,174
Employee Benefit Liabilities	19	236,606,079	215,452,722	182,545,620
Non-current Provisions	20	474,788	691,110	51,806,244
<b>Total Liabilities</b>		<b>785,442,875</b>	<b>693,282,780</b>	<b>695,927,292</b>
<b>Total Assets and Liabilities</b>		<b>2,568,647,488</b>	<b>2,348,290,499</b>	<b>2,468,379,399</b>
<b>NET ASSETS</b>		<b>2,568,647,488</b>	<b>2,348,290,499</b>	<b>2,468,379,399</b>
Accumulated Surplus	21	2,568,647,488	2,348,290,499	2,468,379,399
<b>Total Net Assets</b>		<b>2,568,647,488</b>	<b>2,348,290,499</b>	<b>2,468,379,399</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2018**

Budget 2017 R	Budget 2018 R		Note	Actual 2018 R	Actual 2017 R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>					
469,708,261	511,595,364	Property Rates	22	492,400,491	455,092,335
20,660,000	15,430,000	Fines and Penalties		21,829,794	19,915,146
3,270,000	2,905,000	Licences and Permits		5,312,491	2,801,133
266,907,029	398,474,200	Government Grants and Subsidies Received	26	375,513,065	254,859,895
-	-	Public Contributions and Donations	27	4,561,345	-
<b>Revenue from Exchange Transactions</b>					
1,062,887,246	1,030,043,430	Service Charges	24	919,413,436	951,040,229
10,690,000	11,115,000	Rental of Facilities and Equipment	25	10,566,166	10,024,738
4,800,000	4,000,000	Income for Agency Services		5,538,961	6,975,018
20,000,000	20,000,000	Interest Earned - External Investments	23	18,700,351	21,576,378
120,000,000	97,629,000	Interest Earned - Outstanding Debtors	23	174,794,039	130,078,100
24,759,335	22,055,060	Other Income	28	24,518,060	26,177,440
-	-	Gains on Disposal of Property, Plant and Equipment		-	2,658,646
<b>2,003,681,871</b>	<b>2,113,247,054</b>	<b>Total Revenue</b>		<b>2,053,148,197</b>	<b>1,881,199,057</b>
<b>EXPENDITURE</b>					
644,340,070	679,381,122	Employee Related Costs	29	647,309,202	567,316,834
25,944,063	27,674,819	Remuneration of Councillors	30	28,409,358	25,011,009
60,617,000	67,510,000	Depreciation and Amortisation	31	64,071,006	56,981,745
190,500,000	203,000,000	Impairment Losses	32	240,466,835	190,194,771
27,790,073	26,811,930	Finance Costs	33	27,213,051	27,789,438
512,500,000	524,000,000	Bulk Purchases	34	501,333,991	491,966,152
44,362,888	57,174,085	Contracted Services	35	53,354,448	42,170,495
62,590,000	9,490,000	Grants and Subsidies Paid	36	9,324,953	7,984,007
351,881,513	362,770,016	General Expenses	37	258,299,568	209,356,282
155,000	-	Loss on Inventory		129,194	69,293
-	-	Loss on disposal of Property, Plant and Equipment		2,153,967	-
-	-	Foreign Exchange Loss		354,136	183,750
-	-	Impairment of Property, Plant and Equipment		371,499	3,308,937
<b>1,920,680,607</b>	<b>1,957,811,972</b>	<b>Total Expenditure</b>		<b>1,832,791,208</b>	<b>1,622,332,713</b>
<b>83,001,264</b>	<b>155,435,082</b>	<b>SURPLUS FOR THE YEAR</b>		<b>220,356,989</b>	<b>258,866,344</b>
Refer to Note 60.1 for explanation of budget variances					

**SOL PLAATJE LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2018**

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
<b>2017</b>		R	R		R	R	R
Balance at 30 June 2016	39	70,058,765	23,548,290	10,610,435	1,975,540,087	2,079,757,577	2,079,757,577
Correction of Error					9,666,578	9,666,578	9,666,578
<b>Restated Balance</b>		<b>70,058,765</b>	<b>23,548,290</b>	<b>10,610,435</b>	<b>1,985,206,665</b>	<b>2,089,424,155</b>	<b>2,089,424,155</b>
Surplus for the year					258,866,344	258,866,344	258,866,344
Transfer to Capital Replacement Reserve		60,000,000			(60,000,000)	-	-
Property, Plant and Equipment purchased		(37,927,281)			37,927,281	-	-
Contribution to Insurance Reserve			544,595	110,275	(654,870)	-	-
<b>Balance at 30 June 2017</b>		<b>92,131,484</b>	<b>24,092,886</b>	<b>10,720,710</b>	<b>2,221,345,419</b>	<b>2,348,290,499</b>	<b>2,348,290,499</b>
<b>2018</b>							
<b>Restated Balance</b>		<b>92,131,484</b>	<b>24,092,886</b>	<b>10,720,710</b>	<b>2,221,345,419</b>	<b>2,348,290,499</b>	<b>2,348,290,499</b>
Surplus for the year					220,356,989	220,356,989	220,356,989
Transfer to Capital Replacement Reserve		30,000,000			(30,000,000)	-	-
Property, Plant and Equipment purchased		(57,014,014)			57,014,014	-	-
Contribution to Insurance Reserve			185,232	249,479	(434,711)	-	-
<b>Balance at 30 June 2018</b>		<b>65,117,470</b>	<b>24,278,117</b>	<b>10,970,189</b>	<b>2,468,281,712</b>	<b>2,568,647,488</b>	<b>2,568,647,488</b>

Details on the movement of the Funds and Reserves are set out in Note 21.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2018**

	Note	Actual 2018 R	Actual 2017 R	Budget 2018 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Grants received	26	375,513,065	254,859,895	398,474,200
Sale of goods and services	41	1,079,266,745	1,069,981,590	1,511,798,975
Employee Costs	29	647,309,202	567,316,834	679,381,000
Supplier payments	41	834,380,083	767,035,893	909,180,761
<b>Cash generated from Operations</b>	41	<b>(26,909,475)</b>	<b>(9,511,243)</b>	<b>321,711,414</b>
Interest received	23	193,494,390	151,654,478	44,407,250
Interest paid	33	(27,213,051)	(27,789,438)	(26,811,930)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>139,371,865</b>	<b>114,353,797</b>	<b>339,306,734</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property, Plant and Equipment	9	(238,303,873)	(117,209,245)	(313,940,936)
Purchase of Intangible Assets	10	(11,339,692)	(2,366,004)	-
Purchase of Investment Property	11	(813,064)	(115,400)	-
Proceeds on Disposal of Investment Property	11	2,356,666		
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(248,099,963)</b>	<b>(119,690,648)</b>	<b>(313,940,936)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New Finance leases		6,479,548	-	-
Loans repaid		(8,246,580)	(8,203,519)	(8,237,816)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(1,767,032)</b>	<b>(8,203,519)</b>	<b>(8,237,816)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	6	<b>(110,495,130)</b>	<b>(13,540,371)</b>	<b>17,127,982</b>
Cash and Cash Equivalents at the beginning of the year		245,735,328	259,275,698	226,561,404
Cash and Cash Equivalents at the end of the year		135,240,198	245,735,328	243,689,386



**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

**1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2017 and 30 June 2018 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

**1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

**1. 2. 1 Revenue Recognition**

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1. BASIS OF PRESENTATION (continued)**

**1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)**

**1. 2. 1 Revenue Recognition (continued)**

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

**1. 2. 2 Water Inventory**

The estimation of water inventory in the reservoirs is based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 2 in the annual financial statements.

**1. 2. 3 Budget information**

Variations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. All material differences are explained in the notes/appendices to the annual financial statements. Budget and actual figures are presented on the the accrual basis of accounting.

**1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories**

The accounting Policy on "PPE - Impairment of assets and accounting policy" on "Intangible assets - subsequent measurement, amortisation and impairment" and accounting policy on "Inventory - Subsequent measurement" describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

**1. 2. 5 Impairment of financial assets and financial liabilities**

The accounting policy on Impairment of financial assets and financial liabilities describes the process followed to determine the value by which financial assets and financial liabilities should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets and financial liabilities recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1. BASIS OF PRESENTATION (continued)**

**1. 2. 6 Impairment of trade receivables**

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1. 2. 7 Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in the notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

**1. 2. 8 Useful lives of property, plant and equipment**

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

**1. 2. 9 Defined benefit plan liabilities**

As described in the accounting policy the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 19 to the Annual Financial Statements.

**1. 2. 10 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

**1. 3 PRESENTATION CURRENCY**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

**1. 4 GOING CONCERN ASSUMPTION**

The Annual Financial Statements have been prepared on a going concern basis.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1. BASIS OF PRESENTATION (continued)**

**1. 5 OFFSETTING**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**2. STATUTORY FUNDS AND RESERVES**

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

**2. 1 Capital replacement reserve (CRR)**

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. STATUTORY FUNDS AND RESERVES (Continued)**

**2. 2 Self insurance reserve**

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

**2. 3 Compensation for occupational injuries and diseases (COID) reserve**

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

**3. PROPERTY, PLANT AND EQUIPMENT**

**3. 1 Initial Recognition**

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- and
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) surrendered.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 2 Subsequent Measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or surrendered is included in the surplus or deficit when the compensation becomes receivable.

**3. 3 Depreciation**

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

The useful lives of items of property, plant and equipment have been assessed as follows:

<i><b>Item</b></i>	<i><b>Years</b></i>
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed, if there is an indication that a change may have occurred in the estimated useful life or residual value of the asset. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Reviewing the useful life of an asset does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

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**PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 4 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use. Significantly delayed projects and projects that have ceased entirely are disclosed separately in the notes to the financial statements. Management will review the facts and circumstances around each individual project before classifying it as significantly delayed.

**3. 5 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

**3. 6 Heritage Assets**

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives. When the asset does not meet the recognition criteria because it cannot be reliably measured, relevant and useful information about it is disclosed in the notes (note 9.2 ) to the financial statements.

**3. 7 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

**3. 8 Derecognition of property, plant and equipment**

An item of Property, Plant and Equipment of the municipality is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are reported separately on the face of the Statements of Financial Performance. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

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#### **4 INTANGIBLE ASSETS**

##### **4 1 Initial Recognition**

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets surrendered.

##### **4 2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

##### **4 3 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.



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## **5 INVESTMENT PROPERTY**

### **5 1 Initial Recognition**

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

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**5 INVESTMENT PROPERTY (continued)**

**5 2 Subsequent Measurement - Cost Model**

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5 3 Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**5 4 Depreciation and impairment**

Investment properties are annually tested for impairment, including investment properties not yet available for use. Where items of investment property have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and depreciation method are reviewed when there is an indication that such an assessment is required. The indicators as listed in the standard are used to determine if a review is required. Any adjustments arising from the review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Depreciation is charged on a straight-line basis over the assets' useful lives. The residual value of assets with finite useful lives is zero, unless an active market exists. Where investment properties are deemed to have an indefinite useful life, such assets are not depreciated (e.g. land).

**6. FINANCIAL INSTRUMENTS**

**6. 1 Financial Assets - Classification**

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

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**6. FINANCIAL INSTRUMENTS (continued)**

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has the following types of financial assets on the face of the State of Financial Position:

<b>Class</b>	<b>Category</b>
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term receivables	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

**6. 2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The municipality has the following types of financial liabilities on the face of the State of Financial Position:

<b>Class</b>	<b>Category</b>
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

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**6. FINANCIAL INSTRUMENTS (continued)**

**6. 3 Risk management of financial assets and liabilities**

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

***Credit risk***

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

***Liquidity risk***

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

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**FINANCIAL INSTRUMENTS (continued)**

**6. 3 Risk management of financial assets and liabilities(continued)**

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**7. LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

**7. 1 Finance leases - Municipality as lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Any contingent rents are expensed in the period in which they are incurred.

**7. 2 Operating leases - Municipality as lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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**7. 3 Operating leases - Municipality as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

**8. INVENTORY**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

**8. 1 Subsequent measurement**

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements. Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in-first-out cost formula.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**9. NON-CURRENT ASSETS HELD-FOR-SALE**

The disclosure requirements per the Standard of GRAP on Presentation of Financial Statements require entities to disclose information about significant assets and groups of assets and liabilities, or components (as defined in GRAP 100), that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components, instead of specific presentation on the face of the statement of financial position.

Specific measurement requirements for assets held for sale over and above those already required in existing Standards, are therefore not necessary.

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## **10 REVENUE RECOGNITION**

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

### **10 1. Revenue from Exchange Transactions**

#### **10 1. 1. Service Charges**

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs. Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **10.1 2 Prepaid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

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**10. REVENUE RECOGNITION (continued)**

**10.1.3 Finance income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment. Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors

**10.1.4 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**10.1.5 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**10.1.6 Sale of goods (including houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**10.1.7 Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**10.2. Revenue from non -exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.



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**10. REVENUE RECOGNITION (continued)**

**10.2.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**10.2.2 Fines**

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on a accrual basis based on IGRAP 1.

Fines constitute both spot fines and summonses for which revenue is recognised in accordance with the requirements of IGRAP1.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine.

*Initial recognition*

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

*Measurement*

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

*Impairment*

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

**10.2.3 Other donations and contributions**

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

**10.2.4 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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**10.2.5 Conditional grants and receipts**

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**11. PROVISIONS AND CONTINGENCIES**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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## **11. PROVISIONS AND CONTINGENCIES (continued)**

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### **11.1. Environmental rehabilitation provision**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## **12. EMPLOYEE BENEFITS**

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

### **12.1 Short-term employee benefits**

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment, and a reliable estimate can be made. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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**12. EMPLOYEE BENEFITS (continued)**

**12.2 Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

*Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund and the Municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality decision on protected rights. Post-retirement medical contributions paid by the Municipality and depending on the employee's contract could either be 70%, 60% or a subsidy indicated on a sliding-scale basis. The employee is responsible for the balance of post-retirement medical contribution in each case. External appointments do not qualify for a post-retirement medical aid subsidy. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date. Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on the straight line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement. When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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**12. EMPLOYEE BENEFITS (continued)**

**Long-service Allowance and Ex-Gratia Arrangements**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. Ex-gratia arrangements are paid to employees who are not part of the Municipality's formalised pension arrangements. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

**13. BORROWING COST**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**14. IMPAIRMENT**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

- The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return.
- The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

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**14. IMPAIRMENT(continued)**

**14.1 Impairment of Cash generated Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**14.2 Impairment of Non-Cash generated assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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## **15. HERITAGE ASSETS**

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

### **15. 1. Initial Recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

### **15. 2. Subsequent measurement**

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised if it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding their estimated useful lives.

## **16. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

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**17. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

**18. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**19. IRREGULAR EXPENDITURE**

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including  
(a) MFMA number 56 of 2003  
(b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the disclosure note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, must be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.



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**20. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure (as described as per the Municipal Finance Management Act) is expenditure which was made in vain and would have been avoided had reasonable care been exercised.

**21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The cost of internal support are transferred to the various services and departments to who resources are made available.

**22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**23. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**24. TRANSLATION TO FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**25. COMPARATIVE FIGURES**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

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**26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

**27. COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. Only capital commitments are disclosed.

Commitments are disclosed for:

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**2018**  
**R**

**2017**  
**R**

**1. GENERAL INFORMATION**

Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.

**2. INVENTORY**

Inventory Stores - at cost	27,636,695	23,328,719
Inventory Land	6,637,717	6,637,717
Water - at cost	1,892,275	1,969,225
<b>Total Inventory</b>	<b><u>36,166,686</u></b>	<b><u>31,935,661</u></b>

The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:

129,194	69,293
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The cost of Inventories recognised as an expense during the period was:

44,361,245	41,586,315
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**3. ASSETS HELD-FOR-SALE**

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.

**4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balances</b>
<b>As at 30 June 2018</b>			
Service Debtors:	1,337,488,392	526,966,930	810,521,462
Electricity	225,739,520	88,940,781	136,798,739
Refuse	97,226,351	38,306,928	58,919,423
Sewerage	117,848,323	46,431,931	71,416,392
Water	404,926,183	159,539,857	245,386,325
Miscellaneous	491,748,015	193,747,432	298,000,583
Market	961,398	378,788	582,610
Housing Debtors	34,669,389	13,659,649	21,009,740
<b>Sub-Total</b>	<b><u>1,373,119,179</u></b>	<b><u>541,005,367</u></b>	<b><u>832,113,812</u></b>
Non current portion	(8,723,975)		(8,723,975)
<b>Total</b>	<b><u>1,364,395,204</u></b>	<b><u>541,005,367</u></b>	<b><u>823,389,837</u></b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)**

	Gross Balances	Provision for Impairment	Net Balances
<b>As at 30 June 2017</b>			
Service Debtors:	1,340,807,999	645,151,671	695,656,328
Electricity	173,190,982	83,333,670	89,857,312
Refuse	79,551,392	38,277,452	41,273,940
Sewerage	100,695,127	48,451,105	52,244,022
Water	371,506,224	178,756,288	192,749,936
Miscellaneous	615,864,275	296,333,156	319,531,119
Market	940,424	452,500	487,924
Housing Debtors	36,495,750	17,560,526	18,935,224
<b>Sub-Total</b>	<b>1,378,244,174</b>	<b>663,164,698</b>	<b>715,079,476</b>
Non current portion	(6,133,346)		(6,133,346)
<b>Total</b>	<b>1,372,110,828</b>	<b>663,164,698</b>	<b>708,946,130</b>

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

	2018 R	2017 R
<b>4.1 Ageing of Exchange Debtors</b>		
<b><i>Electricity: Ageing</i></b>		
<u>Current:</u>		
0 - 30 days	54,982,342	49,530,799
<u>Past Due:</u>		
31 - 60 Days	12,926,624	7,931,799
61 - 90 Days	8,507,621	14,649,786
+ 90 Days	149,322,933	101,078,599
<b>Total</b>	<b>225,739,520</b>	<b>173,190,982</b>
<b><i>Refuse: Ageing</i></b>		
<u>Current:</u>		
0 - 30 days	4,175,328	3,366,035
<u>Past Due:</u>		
31 - 60 Days	2,375,065	2,106,457
61 - 90 Days	2,199,029	1,906,376
+ 90 Days	88,476,929	72,172,524
<b>Total</b>	<b>97,226,351</b>	<b>79,551,392</b>
<b><i>Sewerage: Ageing</i></b>		
<u>Current:</u>		
0 - 30 days	5,239,711	4,433,100
<u>Past Due:</u>		
31 - 60 Days	2,997,387	2,866,802
61 - 90 Days	2,764,672	2,571,992
+ 90 Days	106,846,554	90,823,234
<b>Total</b>	<b>117,848,323</b>	<b>100,695,127</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b><i>Water: Ageing</i></b>		
<i>Current:</i>		
0 - 30 days	31,098,679	28,532,984
<i>Past Due:</i>		
31 - 60 Days	10,952,658	13,483,129
61 - 90 Days	11,610,154	12,230,112
+ 90 Days	351,264,691	317,260,000
<b>Total</b>	<b>404,926,183</b>	<b>371,506,224</b>
<b><i>Miscellaneous: Ageing</i></b>		
<i>Current:</i>		
0 - 30 days	21,636,989	20,899,012
<i>Past Due:</i>		
31 - 60 Days	11,092,421	16,579,867
61 - 90 Days	10,171,859	17,120,894
+ 90 Days	449,808,144	562,204,926
<b>Total</b>	<b>492,709,413</b>	<b>616,804,699</b>
<b><i>Housing Rentals: Ageing</i></b>		
<i>Current:</i>		
0 - 30 days	530,519	510,321
<i>Past Due:</i>		
31 - 60 Days	405,092	463,284
61 - 90 Days	398,179	458,790
+ 90 Days	33,335,599	35,063,356
<b>Total</b>	<b>34,669,389</b>	<b>36,495,750</b>

**4.2 Summary of Debtors by Classification (Exchange and Non-Exchange Transactions)**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
<b>As at 30 June 2018</b>				
<i>Current:</i>				
0 - 30 days	89,014,785	43,259,419	15,827,484	148,101,688
<i>Past Due:</i>				
31 - 60 Days	25,287,716	14,489,471	8,032,086	47,809,273
61 - 90 Days	25,041,441	9,268,455	7,614,463	41,924,359
+ 90 Days	864,987,205	246,079,274	748,029,107	1,859,095,586
<b>Sub-Total</b>	<b>1,004,331,147</b>	<b>313,096,619</b>	<b>779,503,140</b>	<b>2,096,930,906</b>
Less: Provision for Impairment	386,717,993	120,557,942	300,147,905	807,423,840
<b>Total Debtors by Classification</b>	<b>617,613,154</b>	<b>192,538,677</b>	<b>479,355,235</b>	<b>1,289,507,066</b>
<b>As at 30 June 2017</b>				
<i>Current:</i>				
0 - 30 days	70,017,542	39,656,134	16,742,197	126,415,873
<i>Past Due:</i>				
31 - 60 Days	30,728,231	10,452,786	10,826,255	52,007,272
61 - 90 Days	28,337,682	18,634,600	9,855,071	56,827,353
+ 90 Days	981,129,244	211,104,787	596,891,003	1,789,125,034
<b>Sub-Total</b>	<b>1,110,212,699</b>	<b>279,848,307</b>	<b>634,314,526</b>	<b>2,024,375,532</b>
Less: Provision for Impairment	528,843,524	136,926,948	281,693,347	947,463,819
<b>Total Debtors by Classification</b>	<b>581,369,176</b>	<b>142,921,359</b>	<b>352,621,179</b>	<b>1,076,911,714</b>

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>4.3 Reconciliation of the total Provision for Impairment</b>		
Balance at beginning of year	947,463,819	789,000,801
Impairment Loss recognised	217,819,497	192,872,291
Amounts written off as uncollectable	(357,859,475)	(34,409,273)
<b>Balance at end of year</b>	<b>807,423,840</b>	<b>947,463,819</b>

In determining the recoverability of debtors, the municipality has implemented a risk based approach. Individual accounts are assessed and based on the risk factors identified, the adjusted present value of future cash flows of each account is determined. The difference between the adjusted cash flows and the current value is recognised as an impairment loss.

**4.4 Ageing of impairment**

0 - 30 Days	3,271,320	3,838,699
31 - 60 Days	2,495,308	2,928,096
61 - 90 Days	2,180,914	2,559,173
+ 90 Days	799,476,298	938,137,851
<b>Total</b>	<b>807,423,840</b>	<b>947,463,819</b>

**5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Assessment Rates	627,326,856	559,415,147
Government Subsidy Claims	62,249,774	58,595,814
Miscellaneous debtors	2,073,059	7,260,048
Traffic Fines	32,162,038	20,860,350
	723,811,727	646,131,359
Less: Provision for Impairment - Traffic Fines	(19,253,332)	(15,127,385)
Less: Provision for Impairment - Assessment Rates	(247,165,141)	(269,171,736)
<b>Total Other Debtors</b>	<b>457,393,253</b>	<b>361,832,238</b>
Non current portion	(1,120,862)	(1,351,270)
<b>Total Other Debtors</b>	<b>456,272,392</b>	<b>360,480,968</b>

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments. All Grants and Subsidies are outstanding for more than 90 days. It is impracticable to age traffic fines as the information is not with the municipality and the amount is impaired at year end.

**5.1 Ageing of Debtors**

**Rates: Ageing**

<u>Current:</u>		
0 - 30 days	30,438,120	22,900,016
<u>Past Due:</u>		
31 - 60 Days	7,060,027	8,551,913
61 - 90 Days	6,272,846	7,666,781
+ 90 Days	583,555,864	520,296,437
<b>Total</b>	<b>627,326,856</b>	<b>559,415,147</b>

**6. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents	93,994,317	201,931,958
Bank/(Bank Overdraft)	41,245,881	43,803,370
<b>Total Cash and Cash Equivalents</b>	<b>135,240,198</b>	<b>245,735,328</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>6. CASH AND CASH EQUIVALENTS (Continued)</b>		
<b>6.1 Current Investment Deposits</b>		
Call Deposits	34,950,000	87,950,000
Notice Deposits	59,028,197	113,965,838
<b>Total Current Investment Deposits</b>	<b>93,978,197</b>	<b>201,915,838</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4.8% to 7.11% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate varying from 7.45% to 8.1% per annum.

A fixed deposit of R3,054,994 (2016: R2,992,635) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (2016: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

**6.2 Bank Accounts**

**Cash book balance**

Cash book balance at beginning of year	43,803,370	34,343,040
Cash book balance at end of year	<u>41,245,881</u>	<u>43,803,370</u>

**The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):**

**Current Account (Primary Bank Account)**

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	37,727,821	78,334,651
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Bank statement balance at end of year / (overdrawn)	34,398,103	37,727,821
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Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	-
---	---	---

Bank statement balance at end of year / (overdrawn)	-	-
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Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	-
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Bank statement balance at end of year / (overdrawn)	-	-
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Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>6. CASH AND CASH EQUIVALENTS (Continued)</b>		
<b>6.3 Cash and Cash equivalents</b>		
Cash Floats and Advances	16,120	16,120
Cash on hand in Cash Floats, Advances and Equivalents	<u>16,120</u>	<u>16,120</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

**7. OPERATING LEASE ASSETS / RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance as at 30 June	-	34,999
Operating Lease expenses recorded	-	-
Operating Lease payments effected	-	(34,999)
<b>Total Operating Lease Assets</b>	<u>-</u>	<u>-</u>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	429,815	389,168
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**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	817,030	677,187
2 to 5 years	1,080,895	1,143,678
More than 5 years	701,760	722,416
<b>Total Operating Lease Arrangements</b>	<u>2,599,685</u>	<u>2,543,280</u>

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS**

Vat Receivable from Exchange Transactions	<u>33,054,857</u>	<u>8,306,419</u>
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

## 9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS

30 June 2018

## Reconciliation of Carrying Value

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2017</b>	<b>1,109,176,435</b>	<b>304,413,140</b>	<b>7,863,705</b>	<b>57,519,120</b>	<b>1,478,972,400</b>
Cost	1,568,831,896	368,928,132	7,863,705	149,860,687	2,095,484,420
- Completed Assets	1,478,897,968	367,792,290	6,017,355	149,860,687	2,002,568,300
- Under Construction	89,933,928	1,135,841	1,846,350	-	92,916,120
Accumulated Impairment Losses	(10,962,268)	-	-	-	(10,962,268)
Accumulated Depreciation:	(448,693,193)	(64,514,991)	-	(92,341,566)	(605,549,751)
Acquisitions	11,196,054	75,146	-	7,993,909	19,265,108
Capital under Construction - Additions	210,530,576	8,508,189	-	-	219,038,765
Depreciation:	(37,703,790)	(8,442,820)	-	(13,636,774)	(59,783,384)
Disposal/Impairment	(90,856)	-	-	(2,086,870)	(2,177,726)
- Cost	(227,522)	-	-	(6,839,112)	(7,066,634)
- Accumulated Depreciation	136,667	-	-	4,752,241	4,888,908
Other Movements	(371,499)	-	-	-	(371,499)
- Accumulated Impairment Losses	(371,499)	-	-	-	(371,499)
<b>Carrying values at 30 June 2018</b>	<b>1,292,736,920</b>	<b>304,553,655</b>	<b>7,863,705</b>	<b>49,789,385</b>	<b>1,654,943,664</b>
Cost	1,790,331,004	377,511,466	7,863,705	151,015,484	2,326,721,659
- Completed Assets	1,489,866,500	367,867,436	6,017,355	151,015,484	2,014,766,774
- Under Construction	300,464,504	9,644,030	1,846,350	-	311,954,885
Accumulated Impairment Loss	(11,333,767)	-	-	-	(11,333,767)
Accumulated Depreciation:	(486,260,316)	(72,957,812)	-	(101,226,099)	(660,444,227)
- Cost	(486,260,316)	(72,957,812)	-	(101,226,099)	(660,444,227)

30 June 2017

## Reconciliation of Carrying Value

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>1,067,228,871</b>	<b>287,528,939</b>	<b>7,863,705</b>	<b>62,932,265</b>	<b>1,425,553,781</b>
Cost	1,485,782,598	344,511,966	7,863,705	143,864,409	1,982,022,678
- Completed Assets	1,201,930,301	338,156,557	6,017,355	143,864,409	1,689,968,622
- Under Construction	283,852,297	6,355,409	1,846,350	-	292,054,056
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	(418,553,727)	(56,983,027)	-	(80,932,143)	(556,468,897)
- Cost	(418,553,727)	(56,983,027)	-	(80,932,143)	(556,468,897)
- Accumulated Impairment Loss	(7,653,332)	-	-	-	(7,653,332)
<b>Restated carrying values at 01 July 2016</b>	<b>1,059,575,540</b>	<b>287,528,939</b>	<b>7,863,705</b>	<b>62,932,265</b>	<b>1,417,900,449</b>
Acquisitions	58,627,945	24,416,166	-	9,185,349	92,229,460
Capital under Construction - Additions	24,979,785	-	-	-	24,979,785
Depreciation:	(30,408,250)	(7,531,965)	-	(13,984,550)	(51,924,764)
Disposal/Impairment	(558,432)	-	-	(613,944)	(1,172,376)
- Cost	(558,432)	-	-	(3,189,071)	(3,747,503)
- Accumulated Depreciation	-	-	-	2,575,127	2,575,127
Adjustment of Depreciation	268,783	-	-	-	268,783
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	(218,898,154)	(5,219,567)	-	-	(224,117,721)
Other Movements	215,589,217	5,219,567	-	-	220,808,785
- Cost	218,898,154	5,219,567	-	-	224,117,721
- Accumulated Impairment Losses	(3,308,937)	-	-	-	(3,308,937)
<b>Carrying values at 30 June 2017</b>	<b>1,109,176,435</b>	<b>304,413,140</b>	<b>7,863,705</b>	<b>57,519,120</b>	<b>1,478,972,400</b>
Cost	1,568,831,896	368,928,132	7,863,705	149,860,687	2,095,484,420
- Completed Assets	1,478,897,968	367,792,290	6,017,355	149,860,687	2,002,568,300
- Under Construction	89,933,928	1,135,841	1,846,350	-	92,916,120
Accumulated Impairment Losses	(10,962,268)	-	-	-	(10,962,268)
Accumulated Depreciation:	(448,693,193)	(64,514,991)	-	(92,341,566)	(605,549,751)
- Cost	(448,693,193)	(64,514,991)	-	(92,341,566)	(605,549,751)

Refer to Appendices "B, C and Note 60.2" for more detail on Property, Plant and Equipment, including those in the course of construction.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>9. PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS (Continued)</b>		
<b>9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:</b>		
An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:	<b>57,855</b>	<b>57,855</b>
<b>9.2 Heritage Assets</b>		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Some of these categories are not valued due to the fact that no active market exists for these items and therefore no value can be attached to it. The mentioned categories are: <i>Municipal Jewellery, Antique Paintings, Monuments (including plaques or busts)</i> . The note below gives the detail of the composition of the heritage registers and the values attached thereto.		
Heritage assets disclosed in the financial statements consist of the following:		
Land (24 areas)	5,981,199	5,981,199
Antiques Other (38 items)	36,156	36,156
Antiques Paintings (15 items)	-	-
Municipal Jewellery (2 items)	-	-
Monuments (13 items)	-	-
Monuments (Work in progress)	1,846,350	1,846,350
<b>Total</b>	<b>7,863,705</b>	<b>7,863,705</b>
<b>9.3 Work in Progress (WIP) - Projects significantly delayed</b>		
Included in the work in progress balance is the following amount pertaining to the Riverton high lift pumps. This project has been significantly delayed due to the fact that the pump station building needed to be refurbished to enable the fitting of the pumps.	57,114,287	28,401,738
The project relating to the Ritchie Bulk Water augmentation has been delayed due to challenges experienced with the funding of this project.	23,536,508	12,022,391
Included in the work in progress balance is the following amount pertaining to the new Homevale Fire station. This project was been significantly delayed as a result of a dispute with the consulting engineer.	5,808,923	-
The Lerato Park water and sewer projects which is a presidential project has been hugely delayed as a result of contractual dispute with the consulting engineers. This issue is still unresolved.	5,064,418	-
The Nelson Mandela monument project has been depayled due to the fact that there are ongoing investigations pertainign to this project.	1,846,350	-
The Platfontein road project has been delayed due to insufficient funding to complete the project.	3,320,462	-
The Galaeshewe Transport Link project has been delayed due to challenges in appointing a service provider for this project.	21,896,308	-
The stormwater projects in Galeshewe and Roodepan have been delayed due to insufficient internal funding to complete the projects.	10,531,853	-
<b>10. INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Loss	<b>11,052,314</b>	<b>3,825,728</b>
The movement in Intangible Assets is reconciled as follows:		
<b>Carrying values at 01 July 2017</b>	<b>3,825,728</b>	<b>3,825,728</b>
Cost	11,627,148	11,627,148
Accumulated Amortisation	(7,801,420)	(7,801,420)
Acquisitions during the Year:	11,339,692	11,339,692
Purchased	11,339,692	11,339,692
Amortisation during the Year:	(4,070,773)	(4,070,773)
Purchased	(4,070,773)	(4,070,773)
Transfers during the Year:	(42,333)	(42,333)
At Cost	(160,088)	(160,088)
At Accumulated Amortisation	117,755	117,755
<b>Carrying values at 30 June 2018</b>	<b>11,052,314</b>	<b>11,052,314</b>
Cost	22,806,752	22,806,752
Accumulated Amortisation	(11,754,438)	(11,754,438)
<b>Carrying values at 01 July 2016</b>	<b>6,299,418</b>	<b>6,299,418</b>
Cost	9,903,284	9,903,284
Accumulated Amortisation	(3,603,866)	(3,603,866)
Acquisitions during the Year:	2,366,004	2,366,004
Purchased	2,366,004	2,366,004
Amortisation during the Year:	(4,839,694)	(4,839,694)
Purchased	(4,839,694)	(4,839,694)
Transfers during the Year:	-	-
At Cost	(642,140)	(642,140)
At Accumulated Amortisation	642,140	642,140

**Carrying values at 30 June 2017**

	<b>3,825,728</b>	<b>3,825,728</b>
Cost	11,627,148	11,627,148
Accumulated Amortisation	(7,801,420)	(7,801,420)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>11. INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<b>194,125,578</b>	<b>195,886,029</b>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>195,886,029</b>	<b>196,328,319</b>
Cost	197,747,777	197,972,781
Accumulated Depreciation	(1,861,748)	(1,644,461)
Acquisitions during the Year	813,064	115,400
Depreciation during the Year	(216,849)	(217,286)
Disposals during the Year:	(2,356,666)	(340,404)
At Cost	(2,356,666)	(340,404)
Transfers during the Year:	-	-
At Cost	-	-
<b>Carrying values at 30 June</b>	<b>194,125,578</b>	<b>195,886,029</b>
Cost	196,204,175	197,747,777
Accumulated Depreciation	(2,078,597)	(1,861,748)
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>196,204,175</b>	<b>197,747,777</b>

Revenue and Expenditure disclosed in the Statement of Financial Performance include:      Rental  
Revenue earned from Investment Property

	429,815	389,168
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. Impairment is assessed annually and if an indicator of impairment is identified, the investment property will be impaired.

There are no contractual obligations on Investment Property.

**12. LONG-TERM RECEIVABLES**

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

**13. CONSUMER DEPOSITS**

Electricity and Water	32,340,693	26,182,008
<b>Total Consumer Deposits</b>	<b>32,340,693</b>	<b>26,182,008</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>3,482,717</b>	<b>3,457,193</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>14. EMPLOYEE BENEFITS</b>		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	7,693,959	7,007,261
Current Portion of Long Service Liability (See Note 19 below):	4,001,800	3,321,907
Ex-Gratia Arrangements	209,123	821,843
Long Service Awards	3,792,677	2,500,064
Accrued Leave	37,321,982	33,492,342
Staff Bonuses	10,877,779	10,270,236
<b>Total Provisions</b>	<b>59,895,519</b>	<b>54,091,746</b>

**15. CREDITORS**

Trade Creditors	98,840,081	96,271,937
Payments received in Advance	14,151,190	16,414,735
Other Creditors	55,063,893	20,430,658
<b>Total Creditors</b>	<b>168,055,164</b>	<b>133,117,331</b>

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2016.

**Accrued Leave** accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

**16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>16.1 Conditional Grants from Government</b>	<b>31,731,875</b>	<b>12,349,709</b>
Grants	31,731,875	12,349,709
<b>Total Conditional Grants and Receipts</b>	<b>31,731,875</b>	<b>12,349,709</b>

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "E" for more detail on Conditional Grants.

**17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS**

Vat Payable from Exchange Transactions	<b>39,432,987</b>	<b>32,725,353</b>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>18. LONG TERM LIABILITIES</b>		
Annuity Loans	210,426,223	218,672,802
Finance Lease Liabilities	6,479,548	-
Sub-total	<u>216,905,770</u>	<u>218,672,802</u>
Less: Current Portion transferred to Current Liabilities:-	12,680,140	8,238,168
Annuity Loans	9,252,011	8,238,168
Finance Lease Liabilities	<u>3,428,129</u>	<u>-</u>
<b>Total Long-term Liabilities</b>	<u><b>204,225,630</b></u>	<u><b>210,434,634</b></u>

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA.

**18.1 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

The obligations under Finance Leases are as follows:

	<b>Minimum Lease Payments</b>		<b>Present Value of Minimum Lease Payments</b>	
	2018 R	2017 R	2018 R	2017 R
<b>Amounts payable under finance leases:</b>				
Within one year	3,576,392	-	3,428,129	-
In the second to fifth years, inclusive	<u>3,760,574</u>	<u>-</u>	<u>3,051,419</u>	<u>-</u>
	7,336,966	-	6,479,548	-
Less: Future Finance Obligations	-	-	-	-
<b>Present Value of Minimum Lease Obligations</b>	<u><b>7,336,966</b></u>	<u><b>-</b></u>	<u><b>6,479,548</b></u>	<u><b>-</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			3,428,129	-
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<u><b>3,051,419</b></u>	<u><b>-</b></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Software Licenses

**19. EMPLOYEE BENEFIT LIABILITIES**

Long Service Awards	13,337,673	14,043,746
Ex-Gratia Arrangements	850,717	812,325
Post-retirement Health Care Benefits Liability	<u>222,417,689</u>	<u>200,596,651</u>
<b>Total Non-current Provisions</b>	<u><b>236,606,079</b></u>	<u><b>215,452,722</b></u>

**The movement in Employee Benefit Liabilities are reconciled as follows:**

**19.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	207,603,912	224,747,155
Contributions to Provision	(7,007,261)	(6,298,572)
Expenditure incurred	27,616,340	30,554,474
Actuarial loss/(gain)	<u>1,898,657</u>	<u>(41,399,145)</u>
Wholly unfunded balance at year end	230,111,648	207,603,912
Transfer to Current Provisions	<u>(7,693,959)</u>	<u>(7,007,261)</u>
<b>Total Post-retirement Health Care Benefits Liability</b>	<u><b>222,417,689</b></u>	<u><b>200,596,651</b></u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1,267	1,281
In-service (employee) non-members	128	123
Continuation Members (retirees and widowers)	<u>213</u>	<u>208</u>
<b>Total Members</b>	<u><b>1,608</b></u>	<u><b>1,612</b></u>

The liability in respect of past service has been estimated as follows:

In-service Members	146,135,781	130,997,809
In-service Non-members	4,236,045	3,393,129
Continuation Members	<u>79,739,822</u>	<u>73,212,974</u>
<b>Total Liability</b>	<u><b>230,111,648</b></u>	<u><b>207,603,912</b></u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R			
19. EMPLOYEE BENEFIT LIABILITIES (Continued)					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.60%	9.20%			
Health Care Cost Inflation Rate	7.42%	7.52%			
Net Effective Discount Rate	2.03%	1.56%			
Expected Rate of Salary Increase (ERSI)	3.46%	3.51%			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	207,603,912	224,747,155			
Current service costs	8,828,614	10,531,193			
Interest cost	18,787,726	20,023,281			
Benefits paid	(7,007,261)	(6,298,572)			
Actuarial loss/(gain)	1,898,657	(41,399,145)			
Present Value of Fund Obligation at the end of the Year	<u>230,111,648</u>	<u>207,603,912</u>			
Total Recognised Benefit Liability	<u>230,111,648</u>	<u>207,603,912</u>			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	<u>230,111,648</u>	<u>207,603,912</u>			
Total Benefit Liability	<u>230,111,648</u>	<u>207,603,912</u>			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	8,828,614	10,531,193			
Interest cost	<u>18,787,726</u>	<u>20,023,281</u>			
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u>27,616,340</u>	<u>30,554,474</u>			
The history of experienced adjustments is as follows:					
	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	<u>230,111,648</u>	<u>207,603,912</u>	<u>224,747,155</u>	<u>174,409,000</u>	<u>190,117,066</u>
Deficit	<u>230,111,648</u>	<u>207,603,912</u>	<u>224,747,155</u>	<u>174,409,000</u>	<u>190,117,066</u>
	2018 R	2017 R			
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost	28,868,900	31,685,300			
Effect on the defined benefit obligation	232,412,764	209,679,951			
Decrease:					
Effect on the aggregate of the current service cost and the interest cost	25,852,500	30,248,929			
Effect on the defined benefit obligation	227,810,532	205,527,873			
Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.					

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>19. EMPLOYEE BENEFIT LIABILITIES (Continued)</b>		
<b>19.2 Ex-Gratia Arrangements</b>		
Balance at beginning of year	1,634,168	1,491,443
Current service cost	-	-
Interest cost	99,156	97,241
Expenditure incurred / Contribution	(821,843)	(23,267)
Actuarial Loss / (Gain)	148,359	68,751
	<u>1,059,840</u>	<u>1,634,168</u>
Transfer to current provisions	(209,123)	(821,843)
<b>Balance at end of year</b>	<b><u>850,717</u></b>	<b><u>812,325</u></b>

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end there were 25 remaining employees eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be:

	99,156	97,241
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**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	8.11%	7.86%
Net Effective Discount Rate	2.08%	2.07%
Expected Rate of Salary Increase	5.91%	5.67%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	1,634,168	1,491,443
Expenditure incurred / Contribution	(821,843)	(23,267)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b><u>1,059,840</u></b>	<b><u>1,634,168</u></b>
<b>Total Recognised Benefit Liability</b>	<b><u>850,717</u></b>	<b><u>812,325</u></b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Interest cost	99,156	97,241
Actuarial loss	148,359	68,751
<b>Total Post-retirement Benefit included in Employee Related Costs</b>	<b><u>247,515</u></b>	<b><u>165,992</u></b>

**The history of experienced adjustments is as follows:**

	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	1,059,840	1,634,168	1,491,443	907,000	835,000
<b>Deficit</b>	<b><u>1,059,840</u></b>	<b><u>1,634,168</u></b>	<b><u>1,491,443</u></b>	<b><u>907,000</u></b>	<b><u>835,000</u></b>

	2018 R	2017 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

**Increase:**

Effect on the aggregate of the interest cost	108,844	69,000
Effect on the defined benefit obligation	1,087,833	866,000

**Decrease:**

Effect on the aggregate of the interest cost	88,936	64,000
Effect on the defined benefit obligation	1,033,094	806,000

**19.3 Long Service Awards**

Balance at beginning of year	16,543,810	18,179,623
Current service cost	1,662,789	2,138,866
Interest cost	1,244,907	1,415,998
Expenditure incurred / Contribution	(2,500,064)	(2,396,929)
Actuarial Loss / (Gain)	178,908	(2,793,748)
	<u>17,130,350</u>	<u>16,543,810</u>
Transfer to current provisions	(3,792,677)	(2,500,064)
<b>Balance at end of year</b>	<b><u>13,337,673</u></b>	<b><u>14,043,746</u></b>



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**19. EMPLOYEE BENEFIT LIABILITIES (Continued)**

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by C Weiss, Fellow member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,404 employees were eligible for Long-service Awards.

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	8.14%	8.13%
Cost Inflation Rate	5.85%	5.94%
Net Effective Discount Rate	2.16%	2.06%
Expected Rate of Salary Increase	5.85%	7.00%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	16,543,810	18,179,623
Current service costs	1,662,789	2,138,866
Interest cost	1,244,907	1,415,998
Benefits paid	(2,500,064)	(2,396,929)
Actuarial loss / (gains)	178,908	(2,793,748)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>17,130,350</b>	<b>16,543,810</b>
<b>Total Recognised Benefit Liability</b>	<b>17,130,350</b>	<b>16,543,810</b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	17,130,350	16,543,810
<b>Total Benefit Liability</b>	<b>17,130,350</b>	<b>16,543,810</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	1,662,789	2,138,866
Interest cost	1,244,907	1,415,998
Benefits paid	(2,500,064)	(2,396,929)
Actuarial loss / (gains)	178,908	(2,793,748)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>586,540</b>	<b>(1,635,813)</b>

**The history of experienced adjustments is as follows:**

	2018 R	2017 R	2016 R	2015 R	2014 R
Obligation	17,130,350	16,543,810	18,179,623	18,233,000	16,904,000
<b>Deficit</b>	<b>17,130,350</b>	<b>16,543,810</b>	<b>18,179,623</b>	<b>18,233,000</b>	<b>16,904,000</b>
				2018 R	2017 R

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	2,873,600	3,050,000
Effect on the defined benefit obligation	16,499,000	17,223,000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	2,808,500	2,775,200
Effect on the defined benefit obligation	17,812,000	15,907,000

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>20. NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Land-fill Sites	474,788	691,110
<b>Total Non-current Provisions</b>	<b>474,788</b>	<b>691,110</b>

The movement in Non-current Provisions are reconciled as follows:

**20.1 Rehabilitation of Land-fill Sites**

Balance at beginning of year	691,110	1,683,315
Current service cost		-
Interest cost		-
Expenditure incurred / Contribution	(216,322)	(992,206)
Actuarial Loss / (Gain)	-	-
	<u>474,788</u>	<u>691,110</u>
Transfer to current provisions		-
<b>Balance at end of year</b>	<b>474,788</b>	<b>691,110</b>

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

474,788	691,110
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An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Eastern Cape area.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Inflation Rate	4.60%	6.00%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	72,000	72,000
Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.		

**21. ACCUMULATED SURPLUS**

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	65,117,470	92,131,484
Self-insurance Reserve	24,278,117	24,092,886
C.O.I.D. Reserve	10,970,189	10,720,710
Accumulated Surplus due to the results of Operations	2,468,281,712	2,221,345,419
<b>Total Accumulated Surplus</b>	<b>2,568,647,488</b>	<b>2,348,290,499</b>

The **Capital Replacement Reserve (CRR)** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The Compensation Commissioner for Occupational Injuries and Diseases (**C.O.I.D.**) Reserve arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

			2018 R	2017 R
<b>22. PROPERTY RATES</b>				
	<b>Property Valuations</b>	<b>Actual Levies</b>		
	<b>July 2017</b>	<b>July 2016</b>		
	<b>R000's</b>	<b>R000's</b>		
Residential	16,973,759	16,873,818	162,211,801	151,352,355
Business	4,782,519	4,609,862	137,017,714	121,558,596
Rural	1,973,746	1,979,455	2,377,243	2,281,456
Industrial	481,703	483,103	13,548,091	14,441,860
PSI	75,453	74,624	-	-
State	3,150,110	2,988,300	163,768,097	150,281,464
Mining Areas	73,641	71,107	13,477,545	15,176,604
Exempt	2,187,108	2,335,190	-	-
<b>Total Assessment Rates</b>	<b>29,698,039</b>	<b>29,415,459</b>	<b>492,400,491</b>	<b>455,092,335</b>
<p>Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2015. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p> <p>A rebate of 55% (2016: 50%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.</p>				
<b>23. INTEREST EARNED</b>			<b>2018 R</b>	<b>2017 R</b>
<b>External Investments:</b>				
Interest			18,700,351	21,576,378
<b>Outstanding Debtors:</b>				
Interest			174,794,039	130,078,100
<b>Total Interest Earned</b>			<b>193,494,390</b>	<b>151,654,478</b>
<p>Interest Earned on Financial Assets, analysed by category of asset, is as follows:</p> <p><b>Financial instruments at amortised cost</b></p>				
			<b>193,494,390</b>	<b>151,654,478</b>
<b>24. SERVICE CHARGES</b>				
Sale of Electricity			584,942,543	594,266,921
Sale of Water			227,137,905	236,343,868
Refuse Removal			45,229,384	51,819,545
Sewerage and Sanitation Charges			62,103,604	68,609,895
<b>Total Service Charges</b>			<b>919,413,436</b>	<b>951,040,229</b>
<p>The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.</p>				
<b>25. RENTAL OF FACILITIES AND EQUIPMENT</b>				
Rental Revenue from Facilities and Equipment			10,566,166	10,024,738
<b>Total Rental of Facilities and Equipment</b>			<b>10,566,166</b>	<b>10,024,738</b>
<p>Rental revenue earned on Facilities and Equipment is in respect of residential buildings rented out.</p>				
<b>26. GOVERNMENT GRANTS AND SUBSIDIES</b>				
<b>Unconditional Grants</b>				
National Equitable Share			150,981,680	144,171,000
Other Subsidies			7,599,241	8,176,342
<b>Operational Grants</b>			158,580,921	152,347,342
<b>Conditional Grants</b>			216,932,143	102,512,553
National: Financial Management Grant (FMG)			1,700,000	1,625,000
National: Municipal Infrastructure Grant (MIG)			36,699,896	37,079,000
National: Grants			167,505,581	49,005,993
National: Expanded Public Works Programme (EPWP)			4,762,000	5,574,000
Provincial: Grants			2,356,720	-
Local Government: Local Municipalities Grant			3,907,947	9,228,560
<b>Total Government Grants and Subsidies</b>			<b>375,513,065</b>	<b>254,859,895</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>Unconditional Grants:</b>		
<b>26.1 National Equitable Share:</b>	150,981,680	144,171,000
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
<b>26.2 Provincial Health Subsidies:</b>		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	-
- Primary Health	-	-
Conditions met - transferred to Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively for health services (included in Appendix E).		
<b>26.3 Other Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts:	7,599,241	8,176,342
- Library	7,000,000	8,006,000
- Miscellaneous	599,241	170,342
Conditions met - transferred to Revenue	(7,599,241)	(8,176,342)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix E). The conditions of the grant have been met.		
<b>Conditional Grants:</b>		
<b>26.4 National: FMG</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,625,000
Conditions met - transferred to Revenue: Operating Expenses	(1,700,000)	(1,625,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix E). Not all funds have been paid.		
<b>26.5 National: MIG</b>		
Balance unspent at beginning of year	-	-
Current year receipts	42,503,000	37,079,000
Conditions met - transferred to Revenue: Operating Expenses	(2,037,156)	-
Conditions met - transferred to Revenue: Capital Expenses	(34,662,741)	(37,079,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	5,803,104	-
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
<b>26.6 National: Grants</b>		
Balance unspent at beginning of year	2,643,881	506,201
Current year receipts	182,852,503	51,143,672
Conditions met - transferred to Revenue: Operating Expenses	(1,492,310)	(1,562,320)
Conditions met - transferred to Revenue: Capital Expenses	(166,013,271)	(47,443,672)
Conditions still to be met - transferred to Liabilities (see Note 16)	17,990,804	2,643,881
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
<b>26.7 National - EPWP</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4,762,000	5,574,000
Conditions met - transferred to Revenue: Operating Expenses	(4,762,000)	(5,574,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
This grant was used for various projects (included in Appendix E). No funds have been withheld.		
<b>26.8 Provincial: Grants</b>		
Balance unspent at beginning of year	9,705,828	10,505,828
Current year receipts	588,859	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2,356,720)	(800,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	7,937,967	9,705,828
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix E). Not all funds have been paid.		

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>26.9 Local Government - Local Municipalities</b>		
Balance unspent at beginning of year	-	-
Current year receipts	3,907,947	9,228,560
Conditions met - transferred to Revenue: Operating Expenses	(3,907,947)	(4,228,560)
Conditions met - transferred to Revenue: Capital Expenses	-	(5,000,000)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix E). No funds have been withheld.		
<b>26.10 Changes in levels of Government Grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
<b>27. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Donations Received	4,561,345	-
<b>Total Public Contributions and Donations</b>	<b>4,561,345</b>	<b>-</b>
Donations received comprise of various assets that was paid for by a third party.		
<b>28. OTHER INCOME</b>		
Premiums received and claims recovered	4,746,611	4,521,160
Admission, Academic and transaction fees	6,304,114	6,249,711
Burial fees	1,515,018	2,001,014
Building Plan Approvals	1,560,261	1,665,122
Market Fees	3,294,844	3,241,032
Unclaimed fines, deposits and stale cheques	2,862,672	1,646,736
Various (including camping fees, advertising, etc)	4,234,539	6,852,665
<b>Total Other Income</b>	<b>24,518,060</b>	<b>26,177,440</b>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
<b>29. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	340,348,201	321,629,967
Employee Related Costs - Contributions for UIF and Medical Aids	46,132,570	43,935,187
Employee Related Costs - Contributions for Pensions	53,611,736	51,000,500
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	114,066,442	112,116,269
Housing Benefits and Allowances	2,429,444	2,830,109
Overtime Payments	45,695,504	33,685,148
Long-service Awards	12,423,704	12,037,216
Defined Benefit Plan Expense:	32,601,601	(9,917,563)
Current Service Cost	10,491,403	12,670,059
Interest Cost	20,032,633	21,536,520
Net Actuarial loss/(gain) recognised	2,077,565	(44,124,142)
<b>Total Employee Related Costs</b>	<b>647,309,202</b>	<b>567,316,834</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	1,784,665	1,647,100
Car Allowance	157,500	150,000
Company Contributions to UIF, Medical and Pension Funds	232,110	322,969
<b>Total</b>	<b>2,174,276</b>	<b>2,120,069</b>
<b>Remuneration of the Director: Finance</b>		
Annual Remuneration	1,180,397	970,919
Car Allowance	378,263	364,956
Company Contributions to UIF, Medical and Pension Funds	236,974	183,735
<b>Total</b>	<b>1,795,634</b>	<b>1,519,610</b>
<b>Remuneration of the Director: Corporate Services</b>		
Annual Remuneration	1,140,125	1,131,555
Car Allowance	372,266	180,000
Company Contributions to UIF, Medical and Pension Funds	247,062	235,831
<b>Total</b>	<b>1,759,453</b>	<b>1,547,386</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>29. EMPLOYEE RELATED COSTS (Continued)</b>		
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	1,185,843	954,412
Car Allowance	350,864	343,239
Company Contributions to UIF, Medical and Pension Funds	262,637	222,919
<b>Total</b>	<b>1,799,344</b>	<b>1,520,570</b>
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	1,299,031	998,243
Car Allowance	222,328	361,716
Company Contributions to UIF, Medical and Pension Funds	290,656	154,950
<b>Total</b>	<b>1,812,014</b>	<b>1,514,909</b>
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	937,484	991,627
Car Allowance	302,369	339,571
Company Contributions to UIF, Medical and Pension Funds	191,727	177,122
<b>Total</b>	<b>1,431,581</b>	<b>1,508,321</b>
The post was vacant for a part of the year. The above amounts includes acting employees.		
The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
<b>Staff Leave Benefits:-</b>		
Municipal Manager	165,706	76,714
Chief Financial Officer	242,337	188,112
Director Community	24,479	24,921
Director Corporate	109,043	98,149
Director SED	149,509	127,828
Director Technical	-	-
<b>Total</b>	<b>691,074</b>	<b>515,725</b>
<b>30. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	964,971	901,706
Speaker	806,380	721,364
Councillors	17,551,039	15,596,992
Contributions to UIF, Medical and Pension Funds and other allowances	9,086,969	7,790,947
<b>Total Councillors' Remuneration</b>	<b>28,409,358</b>	<b>25,011,009</b>
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.		
<b>31. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	59,783,384	51,924,764
Amortisation: Intangible Assets	4,070,773	4,839,694
Depreciation: Investment Property	216,849	217,286
<b>Total Depreciation and Amortisation</b>	<b>64,071,006</b>	<b>56,981,745</b>
<b>32. IMPAIRMENT LOSS</b>		
<i>32.1 Impairment Loss on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>	240,466,835	190,194,771
Trade Receivables from exchange transactions	236,340,888	175,067,386
Trade Receivables from non-exchange transactions	4,125,947	15,127,385
<b>Total Impairment Loss</b>	<b>240,466,835</b>	<b>190,194,771</b>
<b>33. FINANCE COSTS</b>		
Loans and Payables at amortised cost	26,803,179	27,789,438
Finance Leases	409,872	-
Total Interest Expense	27,213,051	27,789,438
Less: Amounts included in the Cost of qualifying Assets	-	-
<b>Total Interest Paid on External Borrowings</b>	<b>27,213,051</b>	<b>27,789,438</b>
<b>34. BULK PURCHASES</b>		
Electricity	420,967,705	422,425,501
Water	80,366,286	69,540,651
<b>Total Bulk Purchases</b>	<b>501,333,991</b>	<b>491,966,152</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>35. CONTRACTED SERVICES</b>		
Audit committee	934,941	551,596
Legal and collection cost	7,626,376	6,002,673
Maintenance of Equipment and Security	11,635,994	7,017,734
Project Management	10,173,418	4,034,862
Prepaid Vendor	21,713,295	23,827,253
Other Contracted Services	1,270,425	736,377
<b>Total Grants and Subsidies</b>	<b>53,354,448</b>	<b>42,170,495</b>
<b>36. GRANTS AND SUBSIDIES PAID</b>		
Diamonds and Dorings Festival	2,730,000	2,500,000
Gariep Festival	1,600,000	1,500,000
Other Grants	3,394,953	2,484,007
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	1,600,000	1,500,000
<b>Total Grants and Subsidies</b>	<b>9,324,953</b>	<b>7,984,007</b>
The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.		
<b>37. GENERAL EXPENSES</b>		
<b>Repairs and Maintenance</b>		
Hardware in Store	9,836,840	9,314,422
Stores Workshop	1,739,105	140,524
Building Maintenance	7,189,653	5,747,529
Electricity Maintenance	20,164,208	19,820,653
Fleet Maintenance	3,046,811	15,158,682
General Maintenance	16,845,721	12,073,035
Refuse Maintenance	20,801,136	8,946,113
Roads	23,896,915	19,206,679
Safety	40,807	207,653
Sewer	12,981,727	13,373,259
Streetlights	15,767,192	5,902,982
Water	28,952,639	11,856,176
<b>Sub Total Repairs and Maintenance</b>	<b>161,262,755</b>	<b>121,747,706</b>
<b>Other Expenses</b>		
Audit fees	4,930,152	3,023,231
Bank charges	2,649,336	3,126,687
Catering municipal activities	1,004,994	1,123,317
Clarification/Purification Chemicals	6,437,100	6,399,861
Cleaning material	1,665,107	1,358,458
Conferences and seminars	8,664,914	7,135,218
Course fees/Skills development levy	5,781,794	5,271,153
Fuel	11,856,777	10,440,087
Indigent relief	-	-
Interns and learner ships	2,543,647	1,455,664
Insurance and claims	5,769,187	5,515,108
Membership fees	6,899,418	6,566,311
Postage	2,775,882	2,479,014
Printing and stationary	8,005,288	8,173,279
Software licences and Computer services	3,667,610	3,048,748
Sport/Transport events	1,374,498	1,077,407
Telephone expenditure	4,051,244	4,006,599
Uniforms and Protective clothing	4,054,390	4,134,053
Vehicle licences	1,102,951	1,124,709
Vehicle tracking	598,368	839,811
Water resource management fee	2,042,250	1,952,948
Ward committee activities	3,631,180	1,612,747
Workmen's compensation insurance	1,263,623	1,289,022
Other General Expenses	6,267,105	6,455,144
<b>Sub Total Other Expenses</b>	<b>97,036,814</b>	<b>87,608,577</b>
<b>Total General Expenses</b>	<b>258,299,568</b>	<b>209,356,282</b>

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

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**38. CHANGE IN ACCOUNTING POLICY**

There were no changes in accounting policy during the current financial year under review.

**39. CORRECTION OF ERROR**

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended before 30 June 2016.

Details of the appropriations are as follows:

**Unappropriated Surplus Account:**

Corrections to Receivables	(14,066)
Corrections to Payables	(577,427)
Corrections to Expenditure	(1,491,443)
Corrections to Depreciation on Property, Plant and Equipment	11,749,514
<b>Increase / (Decrease) in Unappropriated Surplus Account</b>	<b>9,666,578</b>
<b>Increase / (Decrease) in Accumulated Surplus Account</b>	<b>9,666,578</b>

**39.1 Restatement of Revenue:**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2017 Revenue	2017 Correction	Restated Amount
Government Grants and Subsidies Received	253,447,128	1,412,767	254,859,895
Other Income	25,958,133	219,307	26,177,440
	<b>279,405,261</b>	<b>1,632,074</b>	<b>281,037,336</b>

**39.2 Restatement of Expenditure:**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2017 Expenditure	2017 Correction	Restated Amount
Employee Related Costs	566,597,417	719,418	567,316,834
Depreciation and Amortisation	58,707,853	(1,726,108)	56,981,745
General Expenses	236,018,880	(26,662,598)	209,356,282
	<b>903,494,644</b>	<b>(27,669,288)</b>	<b>875,825,356</b>

**39.3 Restatement of Statement of Financial Position:**

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2017 Fin Position	2017 Correction	Restated Amount
Accumulated Surplus	2,334,731,702	13,558,797	2,348,290,499
Payables from Exchange Transactions	156,772,329	(23,654,998)	133,117,331
Employee Benefits	9,507,325	44,584,421	54,091,746
Property, Plant and Equipment	1,483,689,913	(12,581,218)	1,471,108,695
Trade Receivables from Exchange Transactions	439,774,394	269,171,736	708,946,130
Trade Receivables from Non-Exchange Transactions	627,001,707	(266,520,739)	360,480,968

**39.4 Restatement of Non-current Liabilities:**

Included in the prior year's restated non-current Liabilities were amounts in respect of ex-gratia and the landfill site that were incorrectly stated.

The effect of the Correction of Error is as follows:

	Non-current Liabilities
Balances as per AFS previously published for 2016/2017	451,822,983
Restatement of Non-current Liabilities	(25,244,517)
<b>Balances as per current AFS published for 2016/2017</b>	<b>426,578,466</b>



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**39. CORRECTION OF ERROR (Continued)**

**39.5 Restatement of Current Liabilities:**

Included in the prior year's restated payables from exchange balance is an amount in respect of employees receiving a backpay correction retrospectively.

The effect of the Correction of Error is as follows:

	Payables from Exchange Transactions	Employee Benefits
Balances as per AFS previously published for 2016/2017	156,772,329	9,507,325
Restatement of Current Liabilities	(23,654,998)	44,584,421
<b>Balances as per current AFS published for 2016/2017</b>	<b>133,117,331</b>	<b>54,091,746</b>

**39.6 Restatement of Non-Current Assets**

The prior year figure for Property, Plant and Equipment(PPE) had to be corrected as a result of a change in the useful life of the landfill site. This correction was done retrospectively and impacted on PPE and the Surplus Account. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment
Balances as per AFS previously published for 2016/2017	1,483,689,913
Restatement of non-current assets	(12,581,218)
<b>Balances as per current AFS published for 2016/2017</b>	<b>1,471,108,695</b>

**39.7 Restatement of Depreciation:**

The prior year figure for Depreciation had to be corrected as a result of a change in the useful life of the landfill site. This correction was done retrospectively and impacted on PPE and the Surplus Account. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Depreciation on PPE
Balances as per AFS previously published for 2016/2017	632,562,769
Restatement of Depreciation	(16,050,750)
<b>Balances as per current AFS published for 2016/2017</b>	<b>616,512,019</b>

**39.8 Adjustment of Revenue:**

Included in the restated prior year figures for Other Income (refer to Note 28) is various unknown deposits which has now been classified as revenue. Included in the restated prior year figures for Grants is a payment from FBDM received in the current year.

The effect of the Correction of Error is as follows:

	Government Grants and Subsidies	Other Income
Balances as per AFS previously published for 2016/2017	253,447,128	25,958,133
Adjustment of prior period revenue	1,412,767	219,307
<b>Balances as per current AFS published for 2016/2017</b>	<b>254,859,895</b>	<b>26,177,440</b>

**39.9 Adjustment of Expenses:**

The prior year figure for Employee related expenditure and Depreciation were adjusted after corrections were identified. The relevant expenditure categorie and the Surplus Account were corrected. The restated figure is reflected below.

The effect of the Correction of Error is as follows:

	Employee Related Costs	Depreciation and Amortisation
Balances as per AFS previously published for 2016/2017	566,597,417	58,707,853
Adjustment of prior period expenses	719,418	(1,726,108)
<b>Balances as per current AFS published for 2016/2017</b>	<b>567,316,834</b>	<b>56,981,745</b>

**39.10 Restatement of Current Assets**

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non Exchange Transactions. A Debtor was created for Frances Baard Municipality that was incorrectly omitted previously. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 2016/2017	1,333,579,585
Adjustment for prior period error	21,824,921
<b>Balances as per current AFS published for 2016/2017</b>	<b>1,355,404,506</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>40. CHANGE IN ACCOUNTING ESTIMATES</b>		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
<b>41. CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	220,356,989	258,866,344
Adjustment for:		
Adjusting non cash flow items prior errors	2,591,558	28,070,576
Depreciation and Amortisation	64,071,006	56,981,745
Contribution to Impairment Provision	217,819,497	192,872,291
Bad Debts Recovered	-	-
Bad Debts Written-off	(357,859,475)	(34,409,273)
Investment Income	(193,494,390)	(151,654,478)
Finance Costs	27,213,051	27,789,438
<b>Operating surplus before working capital changes</b>	<b>(19,301,765)</b>	<b>378,516,643</b>
(Increase)/Decrease in Inventories	(4,231,026)	720,418
(Increase)/Decrease in Trade Receivables from Exchange Transactions	5,124,995	(267,255,051)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(77,680,368)	(105,626,490)
(Increase)/Decrease in VAT Receivable	(24,748,438)	2,031,545
(Increase)/Decrease in Operating Lease Assets	-	34,999
Increase/(Decrease) in Consumer Deposits	6,158,685	1,215,041
Increase/(Decrease) in Creditors	34,937,833	(28,154,924)
Increase/(Decrease) in Conditional Grants and Receipts	19,382,166	1,337,680
(increase)/Decrease in provisions	26,740,809	(315,498)
Increase/(Decrease) in VAT Payable	6,707,634	7,984,395
<b>Cash generated by / (utilised in) Operations</b>	<b>(26,909,475)</b>	<b>(9,511,243)</b>
<b>Income for the year</b>	<b>2,053,148,197</b>	<b>1,881,199,057</b>
Adjustment for:-		
Investment income	(193,494,390)	(151,654,478)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	5,124,995	(267,255,051)
Bad Debts Written-off	(357,859,475)	(34,409,273)
(Increase)/Decrease in Operating Lease Assets	-	34,999
Increase/(Decrease) in Consumer Deposits	6,158,685	1,215,041
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(77,680,368)	(105,626,490)
(Decrease)/increase in conditional grants and receipts	19,382,166	1,337,680
<b>Cash receipts from ratepayers, government and other</b>	<b>1,454,779,810</b>	<b>1,324,841,485</b>
Grants received	(375,513,065)	(254,859,895)
<b>Sale of goods and services</b>	<b>1,079,266,745</b>	<b>1,069,981,590</b>
Expenditure for the year	1,832,791,208	1,622,332,713
Adjustment for:-		
Depreciation	64,071,006	56,981,745
Contribution to bad debt provision	217,819,497	192,872,291
Adjusting non cash flow items prior errors	2,591,558	28,070,576
Interest paid	27,213,051	27,789,438
<b>Operating expenditure before working capital changes:</b>	<b>1,521,096,097</b>	<b>1,316,618,664</b>
(Increase)/Decrease in inventories	(4,231,026)	720,418
(Decrease)/Increase in creditors	34,937,833	(28,154,924)
(increase)/Decrease in provisions	26,740,809	(315,498)
(decrease)/Increase in VAT	(18,040,803)	10,015,940
<b>Cash paid to suppliers and employees</b>	<b>1,481,689,284</b>	<b>1,334,352,728</b>
Employee Costs	647,309,202	567,316,834
<b>Suppliers paid</b>	<b>834,380,083</b>	<b>767,035,893</b>
<b>Cash generated by/(utilized in) operations</b>	<b>(26,909,475)</b>	<b>(9,511,243)</b>
<b>42. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review.		
<b>43. FINANCING FACILITIES</b>		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>44. LONG-TERM LIABILITIES</b>		
Long-term Liabilities (See Note 18)	216,905,770	218,672,802
Long-term Liabilities have been utilised in accordance with section 46 of the Municipal Finance Management Act. See detail information in Appendix A.		

**45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**45.1 Unauthorised Expenditure**

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

	2018 R	2017 R	2016 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	-	-	-
Unauthorised Expenditure current year	-	-	10,329,679
Approved by Council	-	-	(10,329,679)
Unauthorised Expenditure awaiting authorisation	-	-	-

**45.2 Fruitless and Wasteful Expenditure**

	2018 R	2017 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	1,392,707	1,542,706
Fruitless and Wasteful Expenditure current year	-	70,141
Written off by Council	(1,392,707)	(220,141)
Fruitless and Wasteful Expenditure awaiting condonement	-	1,392,707

**45.3 Irregular Expenditure**

	2018 R	2017 R	2016 R
Reconciliation of Irregular Expenditure:			
Opening balance	-	13,448,957	212,719,245
Irregular Expenditure current year	14,761,323	2,795,094	40,404,352
Irregular Expenditure incurred in the prior year identified in the current year	1,113,666	-	27,114,548
Written off by Council or ratified by Accounting Officer	-	(16,244,051)	(266,789,188)
Irregular Expenditure awaiting condonement	15,874,989	-	13,448,957

Incident	Amount	Causes
Non compliance with SCM regulations	15,874,989	Awards were made to suppliers in contravention of the Supply Chain Management Regulations Section 32 and MFMA circular 62.

The nature of the above irregular expenditure have been disclosed, the extent is still under investigation.

**46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**46.1 Contributions to organised local government - SALGA**

	2018 R	2017 R
Opening Balance	-	-
Council Subscriptions	6,832,840	6,496,561
Amount Paid - current year	(6,832,840)	(6,496,561)
<b>Balance Unpaid (included in Creditors)</b>	-	-

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

	2018 R	2017 R
<b>46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)</b>		
<b>46.2 Audit Fees</b>		
Opening Balance	-	-
Current year Audit Fee	4,930,152	3,023,231
Amount Paid - current year	(4,930,152)	(3,023,231)
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>
<b>46.3 VAT</b>		
VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.		
<b>46.4 PAYE and UIF</b>		
Opening Balance	-	-
Current year Payroll Deductions	98,777,669	75,638,755
Amount Paid - current year	(98,777,669)	(75,638,755)
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>
<b>46.5 Pension and Medical Aid Deductions</b>		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	148,368,274	140,121,681
Amount Paid - current year	(148,368,274)	(140,121,681)
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>
<b>46.6 Councillors arrear Consumer Accounts</b>		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
<b>30 June 2018</b>	<b>Total</b>	<b>Outstanding more than 90 days</b>
YT NHLATHI	19,775	19,775
GDD TSHITE	35,647	35,647
NE MOSWEU	7,560	7,560
JM MATSHEDISHO	2,263	2,263
TA PETORO	18,261	18,261
J BACON	54,794	54,794
KC PHIRI	30,872	30,872
MM MOHAPI	33,606	33,606
BB MPANGISO	49,513	49,513
MB NCEZA	63,431	63,431
MK & KA MOKAE	23,679	23,679
MP THABANE	20,705	20,705
OJ SELAO	58,656	58,656
SN KIKA	129,435	129,435
M MEINTJIES	26,138	26,138
J GRIQUA	60,232	60,232
MV MATSIME	3,406	3,406
GP SHUSHU	42,788	42,788
VQ PIETERSE	37,504	37,504
M STEENKAMP	39,953	39,953
J & EL BADENHORST	75,036	75,036
GG & BP FRANCIS	18,962	18,962
G KRUGER	4,655	4,655
PD HAMMER	7,016	7,016
<b>Total Councillor Arrear Consumer Accounts</b>	<u><b>863,887</b></u>	<u><b>863,887</b></u>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)**

30 June 2017	Total	Outstanding up to 90 days	Outstanding more than 90 days
Kika SN	120,506	7,138	113,368
Thabane MP	22,053	3,892	18,161
Doyle MS	115,653	4,704	110,949
Francis BP	27,533	2,662	24,871
Meintjies M	1,500	-	1,500
Niemann E	23,801	4,907	18,894
<b>Total Councillor Arrear Consumer Accounts</b>	<b>311,768</b>	<b>24,025</b>	<b>287,744</b>

**46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

No known matters existed at the reporting date.

**46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix F).

**46.9 Material losses**

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 52.77%, 17 466 766 kl (2017: 50.56%, 15 898 386 kl) is disclosed to the amount of:

2018 R	2017 R
42,408,522	35,162,509

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 13%, 64 085 640 kWh (2017: 24.54%, 123 614 485 kWh) is disclosed to the amount of:

54,722,704	103,673,290
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**46.10 Suppliers in service of the State**

The municipality bought goods from the following companies, which are considered to be in service of the State.

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
Kalafo Trading	GM Phalane	Office of the Premier	289,863	-
MCD Painters	J Niehaus	NC Dept Health (wife of manager)	189,789	-
Qongo TG Trading	Mother	Nursing Sister	1,387,870	787,954
Naledi Chemicals	D De Haast	Department of Education	148,331	159,988
ASAP 1179 Trd as Meago Services	S Paulse	Librarian	307,437	142,568
Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunda D Municipality	380,840	372,028
J&B Communication	A Abbott	Working at IT	220,845	617,868
JS Medical & Surgical Suppliers	H Williams	Kimberley Hospital	10,081	139,916
Moribe creations Co Ltd	M.A. Scheepers	Agriculture/ Home Affairs	5,000	-
Panprop CC T/A Valudata	AJ De Klerk	Principal Clerk Properties	-	194,158
Senzonhle Trading	JL Malaza	COGHSTA	7,200	-
SMEC South Africa	MN Phosa	Spouse is MEC in Mpumalanga	344,998	1,439,952
BEA Productions (PTY)LTD	EM Kock	SAPS Roodepan	204,375	48,396
LSOGA Projects PTY Ltd	V Mahigane	FS COGSTA	1,190,459	-
Team Bio	G Shaik	State Security Agent	6,000	-
Yebo Frozen Food	JW Barnes	SPLM Daughter	334,385	-
LNT Investments	M Thati	Dept of Justice Wife	441,000	-
Thembinkosi Trading	TM Pollo	Waterworks	1,587	-
NB Mechanical Sales	Librarian	Department of Sports and Arts Culture	15,064,349	11,264,690
S & R Enterprises	Librarian	Department of Sports and Arts Culture	10,794,698	9,636,346
Elektro Vroomen	J Modise	NERSA	-	522,062
<b>Total Purchases</b>			<b>31,329,107</b>	<b>25,325,925</b>

**47. COMMITMENTS FOR EXPENDITURE**

**47.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**

Infrastructure

<b>89,173,827</b>	<b>67,472,022</b>
89,173,827	67,472,022

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

48. FINANCIAL INSTRUMENTS		2018 R	2017 R
<b>48.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
<b>Trade receivables from exchange transactions</b>			
Electricity	Amortised cost	136,798,739	89,857,312
Refuse	Amortised cost	58,919,423	41,273,940
Sewerage	Amortised cost	71,416,392	52,244,022
Water	Amortised cost	245,386,325	192,749,936
Miscellaneous	Amortised cost	298,000,583	319,531,119
Market	Amortised cost	582,610	487,924
Housing Debtors	Amortised cost	21,009,740	18,935,224
<b>Trade receivables from non exchange transactions</b>			
Assessment Rates	Amortised cost	380,161,715	290,243,411
Government Subsidy Claims	Amortised cost	62,249,774	58,595,814
Miscellaneous debtors	Amortised cost	2,073,059	7,260,048
Traffic Fines	Amortised cost	12,908,706	5,732,965
<b>Bank, Cash and Cash Equivalents</b>			
Bank	Amortised cost	41,245,881	43,803,370
Call Deposits	Amortised cost	34,950,000	87,950,000
Notice Deposits	Amortised cost	59,028,197	113,965,838
Cash Floats and Advances	Amortised cost	16,120	16,120
		<b>1,424,747,263</b>	<b>1,322,647,042</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Amortised cost</b>			
Short-term Investment Deposits	Notice Deposits	59,028,197	113,965,838
Trade receivables from non-exchange transactions	Assessment Rates	380,161,715	290,243,411
Trade receivables from exchange transactions	Electricity	136,798,739	89,857,312
Trade receivables from exchange transactions	Refuse	58,919,423	41,273,940
Trade receivables from exchange transactions	Sewerage	71,416,392	52,244,022
Trade receivables from exchange transactions	Water	245,386,325	192,749,936
Trade receivables from exchange transactions	Miscellaneous	298,000,583	319,531,119
Trade receivables from exchange transactions	Market	582,610	487,924
Trade receivables from exchange transactions	Housing Debtors	21,009,740	18,935,224
Trade receivables from non-exchange transactions	Government Subsidy Claims	62,249,774	58,595,814
Trade receivables from non-exchange transactions	Miscellaneous debtors	2,073,059	7,260,048
Trade receivables from non-exchange transactions	Traffic Fines	12,908,706	5,732,965
Bank Balances and Cash	Cash Floats and Advances	41,262,001	43,819,490
Short-term Investment Deposits	Call Deposits	34,950,000	87,950,000
<b>Total Financial Assets</b>		<b>1,424,747,263</b>	<b>1,322,647,042</b>
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	201,174,211	210,434,634
Finance Lease Liabilities	Amortised cost	3,051,419	-
<b>Consumer Deposits</b>			
Electricity and Water	Amortised cost	32,340,693	26,182,008
<b>Creditors</b>			
Trade Creditors	Amortised cost	98,840,081	96,271,937
Other Creditors	Amortised cost	55,063,893	20,430,658
Payments received in Advance	Amortised cost	14,151,190	16,414,735
Staff Bonuses	Amortised cost	10,877,779	10,270,236
Accrued leave	Amortised cost	37,321,982	33,492,342
<b>Unspent Conditional Grants and Receipts</b>			
Conditional Grants from Government	Amortised cost	31,731,875	12,349,709
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Amortised cost	9,252,011	8,238,168
		<b>493,805,133</b>	<b>434,084,428</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Annuity Loans	201,174,211	210,434,634
Consumer Deposits	Electricity and Water	32,340,693	26,182,008
Payables from exchange transactions	Trade Creditors	98,840,081	96,271,937
Payables from exchange transactions	Other Creditors	55,063,893	20,430,658
Unspent Conditional Grants and Receipts	Conditional Grants from Government	31,731,875	12,349,709
Current Portion of Long-term Liabilities	Annuity Loans	9,252,011	8,238,168
Payables from exchange transactions	Payments received in Advance	14,151,190	16,414,735
Payables from exchange transactions	Staff Bonuses	10,877,779	10,270,236
Payables from exchange transactions	Accrued leave	37,321,982	33,492,342
<b>Total Financial Liabilities</b>		<b>490,753,714</b>	<b>434,084,428</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.2 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The gearing ratio at the year-end was as follows:

	2018 R	2017 R
Net Debt	490,753,714	434,084,428
Equity	<u>2,568,647,488</u>	<u>2,348,290,499</u>
<b>Net debt to equity ratio</b>	<b>19.11%</b>	<b>18.49%</b>

Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

**48.3 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

**48.4 Significant Accounting Policies**

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

**48.5 Liquidity Risk**

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**48.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**48.6.1 Foreign Currency Risk Management**

The municipality has very limited exposure to the financial risks of foreign currency.

**48.6.2 Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

		2018 R	2017 R
<b>48. FINANCIAL INSTRUMENTS (Continued)</b>			
<b>Interest Rate Sensitivity Analysis</b>			
The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.			
<b>SENSITIVITY ANALYSIS - INTEREST RATE</b>			
<i>Effect of a change in interest rate on interest bearing financial assets and liabilities</i>			
<b>Financial Assets</b>	<b>Classification</b>		
<u>External investments:</u>			
Call Deposits	Amortised cost	34,950,000	87,950,000
Notice Deposits	Amortised cost	59,028,197	113,965,838
		<b>93,978,197</b>	<b>201,915,838</b>
<u>Interest received</u>			
Interest Earned - External Investments		18,700,351	21,576,378
Interest rate		20%	11%
<i>Effect of a change in interest rate on interest earned from external investments:</i>			
Effect of change in interest rate	%	19%	10%
Effect of change in interest rate	Rand value	17,760,569	19,557,219
Effect of change in interest rate	%	21%	12%
Effect of change in interest rate	Rand value	19,640,133	23,595,536
<u>Outstanding debtors:</u>			
Trade receivables from exchange transactions	Amortised cost	832,113,812	715,079,476
Trade receivables from non-exchange transactions	Amortised cost	444,484,547	356,099,273
		<b>1,276,598,359</b>	<b>1,071,178,749</b>
<u>Interest received</u>			
Interest Earned - Outstanding Debtors		174,794,039	130,078,100
Interest rate		14%	12%
<i>Effect of a change in interest rate on interest earned from outstanding debtors</i>			
Effect of change in interest rate	%	13%	11%
Effect of change in interest rate	Rand value	162,028,055	119,366,313
Effect of change in interest rate	%	15%	13%
Effect of change in interest rate	Rand value	187,560,022	140,789,888
<b>Financial Liabilities</b>	<b>Classification</b>		
<u>Long-term Liabilities</u>			
Annuity Loans	Amortised cost	201,174,211	210,434,634
Annuity Loans - current portion	Amortised cost	9,252,011	8,238,168
Finance Lease Liabilities	Amortised cost	6,479,548	
Finance Lease Liabilities - current portion	Amortised cost	3,428,129	
		<b>210,426,223</b>	<b>218,672,802</b>
<u>Interest paid</u>			
Long-term Liabilities		27,213,051	27,789,438
Interest rate %		13%	13%
<i>Effect of a change in interest rate on interest paid on long-term liabilities</i>			
Effect of change in interest rate	%	12%	12%
Effect of change in interest rate	Rand value	25,108,788	25,602,710
Effect of change in interest rate	%	14%	14%
Effect of change in interest rate	Rand value	29,317,313	29,976,166



**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.7 Effective Interest Rates and Repricing Analysis**

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2018

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>							
<b>Bank Facilities</b>		<b>210,426,223</b>	-	-	<b>2,663,765</b>	-	<b>207,762,457</b>
Loan No 101452 : DBSA	10.91%	2,663,765			2,663,765		
Loan No 102855/1 : DBSA	12.61%	14,352,346					14,352,346
Loan No 102855/3 : DBSA	6.75%	2,325,866					2,325,866
Loan No 103958/2 : DBSA	12.445%	191,084,245					191,084,245
<b>Total Fixed Rate Instruments</b>		<b>210,426,223</b>	-	-	<b>2,663,765</b>	-	<b>207,762,457</b>
<b>VARIABLE RATE INSTRUMENTS</b>							
Short-term Investment Deposits		93,978,197	34,950,000	59,028,197			
Bank Balances and Cash		16,120	16,120				
Housing guarantees		-					-
<b>Total Variable Rate Instruments</b>		<b>93,994,317</b>	<b>34,966,120</b>	<b>59,028,197</b>	-	-	-

30 June 2017

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>							
<b>Bank Facilities</b>		<b>218,672,802</b>	-	-	-	<b>4,218,018</b>	<b>214,454,784</b>
Loan No 101452 : DBSA	10.91%	4,218,018				4,218,018	
Loan No 102855/1 : DBSA	12.61%	14,985,546					14,985,546
Loan No 102855/3 : DBSA	6.75%	2,664,886					2,664,886
Loan No 103958/2 : DBSA	12.445%	196,804,352					196,804,352
<b>Total Fixed Rate Instruments</b>		<b>218,672,802</b>	-	-	-	<b>4,218,018</b>	<b>214,454,784</b>
<b>VARIABLE RATE INSTRUMENTS</b>							
Short-term Investment Deposits		201,915,838	87,950,000	113,965,838			
Bank Balances and Cash		16,120	16,120				
Housing guarantees		13,994					13,994
<b>Total Variable Rate Instruments</b>		<b>201,945,952</b>	<b>87,966,120</b>	<b>113,965,838</b>	-	-	<b>13,994</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**48.8 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**48.9 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

**30 June 2018**

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>Non-interest Bearing</b>							
- Consumer Deposits		32,340,693					32,340,693
- Creditors		168,055,164	168,055,164				
- Unspent Conditional Grants		31,731,875		31,731,875			
<b>Fixed Interest Rate Instruments</b>							
Loan No 101452 : DBSA	10.91%	2,961,150	987,050	987,050	987,050		
Loan No 102855/1 : DBSA	12.61%	26,301,361	1,252,446	1,252,446	2,504,892	7,514,675	13,776,903
Loan No 102855/3 : DBSA	6.75%	3,080,549	256,712	256,712	513,425	1,540,275	513,425
Loan No 103958/2 : DBSA	12.45%	390,379,782	15,014,607	15,014,607	30,029,214	90,087,642	240,233,712
<b>Total</b>		<b>662,187,539</b>	<b>185,565,979</b>	<b>52,819,082</b>	<b>34,034,580</b>	<b>102,903,165</b>	<b>286,864,733</b>

**30 June 2017**

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>Non-interest Bearing</b>							
- Consumer Deposits		26,182,008					26,182,008
- Creditors		133,117,331	133,117,331				
- Unspent Conditional Grants		12,349,709		12,349,709			
<b>Fixed Interest Rate Instruments</b>							
Loan No 101452 : DBSA	10.91%	4,935,254	987,050	987,050	1,974,100	987,054	
Loan No 102855/1 : DBSA	12.61%	28,806,253	1,252,446	1,252,446	2,504,892	7,514,675	16,281,795
Loan No 102855/3 : DBSA	6.75%	4,107,399	256,712	256,712	513,425	1,540,275	1,540,275
Loan No 103958/2 : DBSA	12.45%	420,408,996	15,014,607	15,014,607	30,029,214	90,087,642	270,262,926
<b>Total</b>		<b>629,906,949</b>	<b>150,628,146</b>	<b>29,860,524</b>	<b>35,021,630</b>	<b>100,129,645</b>	<b>314,267,004</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.10 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2018 Gross Amount R	30 June 2017 Gross Amount R
Department of Public Works	591,357,032	465,849,624
Kimberley Cold Storage PTY	37,086,745	23,336,042
GW Rugby Union	10,789,356	9,057,656
Northern Cape Provincial Leg	9,301,205	
Wide Dimension Trading 7 BK		7,226,601
De Beers Consolidated Mines	47,628,709	48,232,695

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2018 R	2017 R
Fixed Deposit Investments	93,978,197	201,915,838
Consumer Debtors	832,113,812	715,079,476
Other Debtors	457,393,253	361,832,238
Bank, Cash and Cash Equivalents	16,120	16,120
Housing Guarantees	-	13,994
<b>Maximum Credit and Interest Risk Exposure</b>	<b>1,383,501,382</b>	<b>1,278,857,666</b>

**48. FINANCIAL INSTRUMENTS (Continued)**

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2018 R	2017 R
Households	617,613,154	581,369,176
Industrial/commercial	192,538,677	142,921,359
National and provincial government	479,355,235	352,621,179
<b>Maximum Consumer Risk Exposure</b>	<b>1,289,507,066</b>	<b>1,076,911,714</b>

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

Employees and Councillors belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

All Retirement Funds are defined contribution plans. All the funds are multi-employer plans.

The total expense recognised in the Statement of Financial Performance represents contributions paid to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

53,611,736                      51,000,500

None of the below mentioned Funds are State Plans.

**Municipal Councillors Pension Fund:**

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 99.5% as at 30 June 2012 and is therefor technically not financially sound. They regard the deficit of R6.4m as relatively insignificant in the context of the Fund and there a possible reverse of SARS penalties of R10.3m that will result in the Fund being fully funded.

**LA Retirement Fund/Cape Joint Pension Fund:**

The statutory valuation performed as at 30 June 2016 revealed a funding level of 103.5% for the Pensioner Account and the Defined Contribution Section was 100% funded.

**Consolidated Retirement Fund:**

The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2017.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund has a funding level of 100%(30 June 2016: 100%) for the Preservation Pensions account and 118%(30 June 2015: 112.1%) for the Pension Account at 30 June 2016. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

**SALA Pension Fund:**

At the valuation date of 1 July 2015 the SALA pension fund was 100% (1 July 2014: 100%) funded. The valuator indicated that the decrease in the solvency reserve was a change to the methods used to calculate the liabilities. The Fund therefore remained financially sound since the previous valuation.

**49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)**

**Municipal Employees Pension Fund:**

At the valuation date of 28 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valuator stated that the fund was in a sound position as at 29 February 2011, having sufficient assets to cover its obligations.

**National Fund for Municipal Workers:**

At the valuation date of 30 June 2015 the National Fund for Municipal Workers the Valuator stated that the assets of the fund available for benefits are sufficient to cover 100.42% of the members' liabilities and the fund was hence financially sound.

**Municipal Workers Union Retirement Fund:**

The Fund was formerly the South African Municipal Workers Union National Provident Fund. At the valuation date of 30 June 2017 the Fund was 100% (30 June 2014: 111.7%) funded. The valuator stated that the fund is in a sound financial position.

**50. RELATED PARTY TRANSACTIONS**

**50.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses.

**50.2 Services rendered to Related Parties**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**50.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

**50.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**50. RELATED PARTY TRANSACTIONS (Continued)**

**50.5 Related Parties relationships**

The municipality's key officials declared the following relationships with the listed companies. It should be noted that no transactions were done.

Name Supplier	Related Person	Financial Disclosure Records
Akharwaray, G H	Municipal Manager	Shares - Kumba (Ordinary), Mittal (Ordinary), Ex Xaro (Ordinary); Directorships & Partnerships - GHA Properties, Gulshin Properties.
Mahloko, Zuziwe Lydia	Executive Director: Finance	Trust- Family trust (Zuziwe Family Trust); Directorship/Partnership- Griqualand Wes Rugby Union
Sebolecewe, Kooitse Ruth	ED: Corporate Services	Directorship & Partnerships - Clisa 22CC (Commercial)
Tyabashe-Kesiamang, Nomonde	Executive Director: Strategy, Economic Development & Planning Services	Shares - JM & N Trading (CC member), Nqobile Planners & Development Specialists T/a N12 (CC member), Woesa (Public); (Afri-Devo PTY)- Company belongs to Brother-In-Law.
Badenhorst, Eleanor, Linzi	Councillor	Husband is Director of Afrikhaya Housing Development Agency.
Buda, Unondumiso, Hester	Councillor	Fumamo G.T. Close Corp
Fourie, Ockert Cornelius	Councillor	Shares - Roodeheuwel Sand (Bpk) Minerals.
Gomba Jozi, Themba	Councillor	100% Shares Phiwe Trading, Shares in Peja Trading;
Johnson, Elizabeth	Councillor	Directorships & Partnerships Santoma Inn (Tavern)
Kwagile, Pulane, Prudence	Councillor	Shares: Seed Of Life; Director/Partnership: Shepulma general cleaning
Lewis, Clifford Benedict	Councillor	Directorships & Partnerships: Taxi
Liebenberg, Reinette	Councillor	Directorships & Partnerships: Mein Heim Estate - Conference/Guest House
Ludick, Rosie Annie	Councillor	Directorships & Partnerships: Women in Pride; SAWIF; Seed of Life Investment
Moshweu, Michael Mpho	Councillor	Directorship & Partnership: Moshweu General trading CC Cleaning services *AdHoc -Kabothabo CC *Ad Hoc - Itereleng Corp- Nil Remunerated work- Mental health DOH- Board Member
Mpampi, Samson	Councillor	Mpampi Construction
Pearce Carol-Ann	Councillor	Directorship & Partnership- Women Liberation Trading (PTY)LTD.
Steyn, Sharon Merle	Councillor	CEO- NOCCI

**2018**  
**R**

**2017**  
**R**

**51. CONTINGENT LIABILITIES**

**51.1 Guarantees:**

The municipality pledged the following amounts as guarantee for employees' housing bonds:

-                      **13,994**

The validity of these bonds in terms of the original conditions at which they were issued could not be verified with the respective banks. The banks have misplaced the guarantee documents and have exonerated the municipality from such liability. For instances where bank confirmation could not be obtained, a possible liability exists.

**51.2 Court Proceedings:**

51.2.1 High Court matters	76,132,796	71,879,474
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	14,940,304	8,450,684
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	693,000	325,000
Various cases involving Council.		
51.2.4 Magistrate court matters	162,457	147,456
Various cases involving Council.		
	<b>91,928,558</b>	<b>80,802,613</b>

All the above cases are being defended. The timing of any cash outflow is uncertain.

**51.3 Other liabilities:**

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2018, the implementation of task outcomes on employees revaluated were not finalised as yet. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

51.3.2 Other cases: Various claims between employees and Council is in process.

**52. CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**53. IN-KIND DONATIONS AND ASSISTANCE**

The municipality received no in-kind donations and assistance during the year under review.

**54. COMPARISON WITH THE BUDGET**

The comparison of the municipality's actual financial performance against that budget, is set out in Note 60. Budget and actual figures are presented on a comparable basis (accrual basis of accounting).

**55. PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the 2017/18 financial year.

**56. EVENTS AFTER THE REPORTING DATE**

After the end of the financial year, protest action that resulted in a reduction of the household electricity tariffs as well as the suspension of the Municipal Manager and the Chief Financial Officer, occurred. The amount of legal expenditure is still unknown. Management identified this as a non-adjusting subsequent event that may potentially have a significant impact on the municipality's operations. As such, a recovery plan to address the pending revenue shortfall has already been compiled and tabled to the mayoral committee. The extent of the damage to municipal properties as a result of the protest action is still being assessed. It is expected that the external insurance will cover the reparation costs. No adjusting subsequent events were identified.

**57. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

**58. DISCONTINUED OPERATIONS**

No operations have been discontinued.

**59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE**

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been approved, but are not yet effective:

GRAP 32 Service Concession arrangements: Grantor  
 GRAP 34 Separate Financial Statements  
 GRAP 35 Consolidated Financial Statements  
 GRAP 36 Investments in Associates and Joint Ventures  
 GRAP 37 Joint Arrangements  
 GRAP 38 Disclosure of interests in Other Entities  
 GRAP 108 Statutory receivables  
 GRAP 109 Accounting by Principals and Agents  
 GRAP 110 Living and Non-living Resources

GRAP 32, 108 and 109 will effect from financial years beginning on or after 1 April 2019. GRAP 110 will effect from financial years beginning on or after 1 April 2020. Application of the other GRAP standards above will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**60 BUDGET VS ACTUAL COMPARITIVE INFORMATION**

**60.1 Revenue and Expenditure**

	2018 Actual	2018 Original Budget	2018 Adjustment	2018 Final Budget	2018 Variance Original vs Final Budget %	2018 Explanation of variances greater than 10% Original versus Final Budget	2018 Variance Actual vs Final Budget R	2018 Variance Actual vs Final Budget %	2018 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	%				
<b>REVENUE</b>									
Property Rates	492,400,491	511,595,364	-	511,595,364	0%		(19,194,873)	-4%	
Service Charges	919,413,436	1,078,943,430	(48,900,000)	1,030,043,430	-5%		(110,629,994)	-11%	Internal services used moved from General Expenditure.
Rental of Facilities and Equipment	10,566,166	11,115,000	-	11,115,000	0%		(548,834)	-5%	
Interest Earned - External Investments	18,700,351	20,000,000	-	20,000,000	0%		(1,299,649)	-6%	
Interest Earned - Outstanding Debtors	174,794,039	97,629,000	-	97,629,000	0%		77,165,039	79%	Due to increases in debtors.
Fines	21,829,794	22,430,000	(7,000,000)	15,430,000	-31%	Due to GRAP implementation.	6,399,794	41%	Due to GRAP implementation.
Licenses and Permits	5,312,491	2,905,000	-	2,905,000	0%		2,407,491	83%	Due to increase in income.
Income for Agency Services	5,538,961	-	4,000,000	4,000,000	0%	Budget adjusted to provide for Agency service.	1,538,961	38%	Agency services extended.
Government Grants and Subsidies	375,513,065	332,845,000	65,629,200	398,474,200	20%	Due to capital projects being rolled over and new grants.	(22,961,135)	-6%	
Public Contributions and Donations	4,561,345	-	-	-	0%		4,561,345	0%	Not budgeted.
Other Income	24,518,060	26,855,060	(4,800,000)	22,055,060	-18%	Adjusting income downwards.	2,463,000	11%	Due to increase in income.
<b>Total Revenue</b>	<b>2,053,148,197</b>	<b>2,104,317,854</b>	<b>8,929,200</b>	<b>2,113,247,054</b>	<b>0%</b>		<b>(60,098,857)</b>	<b>-3%</b>	Internal services used moved from General Expenditure.
<b>EXPENDITURE</b>									
Employee Related Costs	647,309,202	679,381,122	-	679,381,122	0%		(32,071,920)	-5%	Due to actuarial valuation saving and saving on vacancies.
Remuneration of Councillors	28,409,358	27,674,819	-	27,674,819	0%		734,539	3%	
Impairment Losses	240,466,835	203,000,000	-	203,000,000	0%		37,466,835	18%	Due to correction on Impairment.
Depreciation	64,071,006	67,510,000	-	67,510,000	0%		(3,438,994)	-5%	
Finance Costs	27,213,051	26,811,930	-	26,811,930	0%		401,121	1%	
Bulk Purchases	501,333,991	524,000,000	-	524,000,000	0%		(22,666,009)	-4%	
Contracted services	53,354,448	44,219,000	12,955,085	57,174,085	29%	As a result of reallocations of expenditure.	(3,819,637)	-7%	
Grants and Subsidies Paid	9,324,953	9,470,000	20,000	9,490,000	0%		(165,047)	-2%	
General Expenses - Other	258,299,568	354,423,816	8,346,200	362,770,016	2%		(104,470,448)	-29%	Due to savings and Internal services moved to Income.
Losses on Inventory	129,194	-	-	-	0%		129,194	0%	Not budgeted.
Losses on disposal of property, plant and equipment	2,153,967	-	-	-	0%		2,153,967	0%	Not budgeted.
Foreign Exchange Loss	354,136	-	-	-	0%		354,136	0%	Due to devaluating of the Rand.
Impairment of property, plant and equipment	371,499	-	-	-	0%		371,499	0%	
<b>Total Expenditure</b>	<b>1,832,791,208</b>	<b>1,936,490,687</b>	<b>21,321,285</b>	<b>1,957,811,972</b>	<b>1%</b>		<b>(125,020,764)</b>	<b>-6%</b>	Due to the savings in general expenditure, employee costs and bulk purchases.
<b>NET SURPLUS FOR THE YEAR</b>	<b>220,356,989</b>	<b>167,827,167</b>	<b>(12,392,085)</b>	<b>155,435,082</b>	<b>-7%</b>		<b>64,921,907</b>	<b>42%</b>	Due to the savings in expenditure .

**SOL PLAATJE LOCAL MUNICIPALITY**  
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**60 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)**

**60.2 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT**

Directorate	2018 Actual Additions R	2018 Work in Progress Additions R	2018 Total Additions R	2018 Original Budget R	2018 Adjustment R	2018 Final Budget R	2018 Variance Original vs Final Budget %	2018 Explanation of variances greater than 10% Original versus Final Budget	2018 Variance Actual vs Final Budget R	2018 Variance Actual vs Final Budget %	2018 Explanation of significant variances greater than 10% Actual versus Final Budget
Executive and Council	71,609	-	71,609	9,154,000	(1,001,000)	8,153,000	-11%	Budget reduced.	(8,081,391)	-99%	Projects not realising.
Municipal General	359,847	-	359,847	-	360,000	360,000			(153)	0%	Loose equipment reallocation.
Municipal Manager	20,769	-	20,769	-	21,000	21,000			(231)	-1%	Loose equipment reallocation.
Corporate Services	619,754	-	619,754	-	620,000	620,000			(246)	0%	Loose equipment reallocation.
Community Services	75,146	8,508,189	8,583,335	16,694,000	695,000	17,389,000	4%		(8,805,665)	-51%	Fire station project awarded late in the year.
Financial Services	563,481	-	563,481	2,000,000	4,893,000	6,893,000	245%	Add additional projects and rolled over projects.	(6,329,519)	-92%	Intangible assets reallocated.
Strategic and Economic Development	355,320	-	355,320	24,100,000	1,200,000	25,300,000	5%	Add additional projects and rolled over projects.	(24,944,680)	-99%	Project budget moved to Infrastructure.
Infrastructure and Services	17,199,181	210,530,576	227,729,758	179,272,000	75,933,000	255,205,000	42%	Add additional projects and rolled over projects.	(27,475,242)	-11%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
<b>TOTAL</b>	<b>19,265,108</b>	<b>219,038,765</b>	<b>238,303,873</b>	<b>231,220,000</b>	<b>82,721,000</b>	<b>313,941,000</b>	<b>36%</b>	<b>Add additional projects and rolled over projects.</b>	<b>(75,637,127)</b>	<b>-24%</b>	<b>Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.</b>



60 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)

60.3 Cash Flow

	2018 Actual	2018 Original Budget	2018 Adjustment	2018 Final Budget	2018 Variance Original vs Final Budget %	2018 Explanation of variances greater than 10% Original versus Final Budget	2018 Variance Actual vs Final Budget R	2018 Variance Actual vs Final Budget %	2018 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Grants received	375,513,065	332,845,000	65,629,200	398,474,200	16%	Income adjusted due to new grants.	(22,961,135)	-6%	
Sale of goods and services	1,079,266,745	1,511,798,975	-	1,511,798,975	0%		(432,532,230)	-29%	Due to income not realising.
Employee Costs	(647,309,202)	(679,381,000)	-	(679,381,000)	0%		32,071,798	-5%	Due to increase of debtors
Supplier payments	(834,380,083)	(933,865,761)	(24,685,000)	(909,180,761)	3%		74,800,678	-8%	Saving on expenditure
<b>Cash generated from / (utilised in) Operations</b>	<b>(26,909,475)</b>	<b>231,397,214</b>	<b>90,314,200</b>	<b>321,711,414</b>					
Interest received	193,494,390	44,407,250	-	44,407,250	0%		149,087,140	336%	Investment income increased above expectations.
Interest paid	(27,213,051)	(26,811,930)	-	(26,811,930)	0%		(401,121)	1%	
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>139,371,865</b>	<b>248,992,534</b>	<b>90,314,200</b>	<b>339,306,734</b>					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Purchase of Property, Plant and Equipment	(238,303,873)	(232,065,602)	(81,875,334)	(313,940,936)	26%	Rollled over projects not and new projects added.	75,637,063	-24%	Projects not completed before year end.
Purchase of Intangible Assets	(11,339,692)	-	-	-			(11,339,692)	0%	Project re-categorised.
Purchase of Investment Property	(813,064)	-	-	-			(813,064)	0%	Project re-categorised.
Proceeds on Disposal of Property, Plant and Equipment	2,356,666	-	-	-					
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(248,099,963)</b>	<b>(232,065,602)</b>	<b>(81,875,334)</b>	<b>(313,940,936)</b>					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
New Finance leases	6,479,548	-	-	-	0%				
Loans repaid	(8,246,580)	(8,237,816)	-	(8,237,816)	0%		(8,764)	0%	
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(1,767,032)</b>	<b>(8,237,816)</b>	<b>-</b>	<b>(8,237,816)</b>					
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(110,495,130)</b>	<b>8,689,116</b>	<b>8,438,866</b>	<b>17,127,982</b>					
Cash and Cash Equivalents at the beginning of the year	245,735,328	235,000,000	(8,438,596)	226,561,404					
Cash and Cash Equivalents at the end of the year	135,240,198	243,689,116	270	243,689,386					

**SOL PLAATJE LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018**

**60 BUDGET VS ACTUAL COMPARITIVE INFORMATION (Continued)**

**60.4 Statement of Financial Position**

	2018 Actual	2018 Original Budget	2018 Adjustment	2018 Final Budget	2018 Variance Original vs Final Budget %	2018 Explanation of variances greater than 10% Original versus Final Budget	2018 Variance Actual vs Final Budget R	2018 Variance Actual vs Final Budget %	2018 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R					
<b>ASSETS</b>									
<b>Current Assets</b>	<b>1,484,123,970</b>	<b>1,248,887,268</b>	-	<b>1,248,887,268</b>					
Inventory	36,166,686	36,865,448	-	36,865,448	0%		(698,762)	-2%	
Trade Receivables from Exchange Transactions	823,389,837	352,703,073	-	352,703,073	0%		470,686,764	133%	Increase in debtors.
Trade Receivables from Non-Exchange Transactions	456,272,392	580,342,262	-	580,342,262	0%		(124,069,870)	-21%	Decrease in debtors.
Cash and Cash Equivalents	135,240,198	267,689,495	-	267,689,495	0%		(132,449,297)	-49%	Decrease in investments.
Vat Receivable from Exchange Transactions	33,054,857	11,286,990	-	11,286,990	0%		21,767,867	193%	Claim submitted to SARS.
<b>Non-Current Assets</b>	<b>1,869,966,393</b>	<b>1,928,955,734</b>	-	<b>1,928,955,734</b>					
Property, Plant and Equipment	1,647,079,959	1,721,543,801	-	1,721,543,801	0%		(74,463,842)	-4%	
Heritage Assets	7,863,705	8,648,295	-	8,648,295	0%		(784,590)	-9%	Grants projects rolled over not completed.
Intangible Assets	11,052,314	6,521,473	-	6,521,473	0%		4,530,841	69%	New contracts.
Investment Property	194,125,578	190,519,830	-	190,519,830	0%		3,605,748	2%	
Trade Receivables from Exchange Transactions	8,723,975	1,558,199	-	1,558,199	0%		7,165,776	460%	Increase in actuals vs budgeted.
Trade Receivables from Non-Exchange Transactions	1,120,862	164,136	-	164,136	0%		956,726	583%	Increase in actuals vs budgeted.
<b>Total Assets</b>	<b>3,354,090,363</b>	<b>3,177,843,002</b>	-	<b>3,177,843,002</b>					
<b>LIABILITIES</b>									
<b>Current Liabilities</b>	<b>344,136,378</b>	<b>268,626,254</b>	-	<b>268,626,254</b>					
Consumer Deposits	32,340,693	34,555,475	-	34,555,475	0%		(2,214,782)	-6%	
Employee Benefits	59,895,519	10,516,122	-	10,516,122	0%		49,379,397	470%	Balances moved from Payables
Payables from Exchange Transactions	168,055,164	188,385,520	-	188,385,520	0%		(20,330,356)	-11%	Decrease in creditors on year end.
Unspent Conditional Grants and Receipts	31,731,875	-	-	-	0%		31,731,875	0%	
Vat Payable from Exchange Transactions	39,432,987	25,918,627	-	25,918,627	0%		13,514,360	52%	Due to impairment of VAT on debtors.
Bank Overdraft	-	-	-	-	0%		-	0%	
Current Portion of Long-term Liabilities	12,680,140	9,250,510	-	9,250,510	0%		3,429,630	37%	Increase in actuals vs budgeted.
<b>Non-Current Liabilities</b>	<b>441,306,497</b>	<b>506,675,270</b>	-	<b>506,675,270</b>					
Long-term Liabilities	204,225,630	192,949,174	-	192,949,174	0%		11,276,456	6%	
Employee Benefit Liabilities	236,606,079	261,919,852	-	261,919,852	0%		(25,313,773)	-10%	Lower actuarial losses.
Non-current Provisions	474,788	51,806,244	-	51,806,244	0%		(51,331,456)	-99%	Adjustment in provision of Refuse dump.
<b>Total Liabilities</b>	<b>785,442,875</b>	<b>775,301,524</b>	-	<b>775,301,524</b>					
<b>Total Assets and Liabilities</b>	<b>2,568,647,488</b>	<b>2,402,541,478</b>	-	<b>2,402,541,478</b>					
<b>NET ASSETS</b>	<b>2,568,647,488</b>	<b>2,402,541,478</b>	-	<b>2,402,541,478</b>					
Accumulated Surplus	2,568,647,488	2,402,541,478	-	2,402,541,478	0%		166,106,010	7%	
<b>Total Net Assets</b>	<b>2,568,647,488</b>	<b>2,402,541,478</b>	-	<b>2,402,541,478</b>					

**APPENDIX A (UNAUDITED)**  
**SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Redeemable Date</b>	<b>Balance at 30/06/17</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30/06/18</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
<b>LONG TERM LIABILITIES</b>			<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>ANNUITY LOANS</b>								
DBSA Loan @ 10.91%	101452	31-12-2019	4,218,018		1,554,253	2,663,765	217,650,066	
DBSA Loan @ 12.61%	102855/1	31-12-2028	14,985,546		633,200	14,352,346		
DBSA Loan @ 6.75%	102855/3	31-12-2023	2,664,886		339,020	2,325,866		
DBSA Loan @ 12.445%	103958/2	30-06-2031	196,804,352		5,720,107	191,084,245		
<b>Sub total DBSA</b>			<b>218,672,802</b>	<b>-</b>	<b>8,246,580</b>	<b>210,426,223</b>		
<b>Total Annuity loans</b>			<b>218,672,802</b>	<b>-</b>	<b>8,246,580</b>	<b>210,426,223</b>	<b>217,650,066</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>218,672,802</b>	<b>-</b>	<b>8,246,580</b>	<b>210,426,223</b>	<b>217,650,066</b>	<b>-</b>

**APPENDIX B (UNAUDITED)**  
**SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

	Cost/Revaluation							Accumulated Depreciation and Impairment				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity and Street Lights	330,520,998	5,733,481	19,371,503	(16,016)			19,371,503	355,609,967	111,175,824	7,428,832	(14,449)	118,590,208	237,019,760
Roads and Pavements	385,029,243	101,888	108,785,213		25,216,770		134,001,983	493,916,343	120,865,424	10,431,325	364,159	131,660,908	362,255,435
Sewerage	439,579,849		11,233,966	(26,542)			11,233,966	450,787,273	68,702,033	12,193,599	(12,378)	80,883,255	369,904,019
Stormwater	74,498,615		11,436,479		19,967,763		31,404,242	85,935,094	37,405,693	820,291	-	38,225,984	47,709,110
Landfill Site	691,110	(216,322)						474,788	0			0	474,788
Landfill Site Improvements	22,936,819							22,936,819		800,066	-	800,066	22,136,754
Water	315,575,262	5,577,007	59,703,414	(184,965)	44,749,394		104,452,809	380,670,719	121,506,488	6,029,676	(102,500)	127,433,664	253,237,055
	1,568,831,897	11,196,054	210,530,576	(227,522)	89,933,928	-	300,464,503	1,790,331,004	459,655,462	37,703,790	234,832	497,594,084	1,292,736,920
Community Assets													
Owned Buildings	248,766,867	75,146	8,508,189		1,135,842		9,644,031	257,350,202	64,514,990	8,442,820		72,957,810	184,392,392
Land	120,161,263						-	120,161,263				-	120,161,263
	368,928,130	75,146	8,508,189	-	1,135,842	-	9,644,031	377,511,465	64,514,990	8,442,820	-	72,957,809.88	304,553,655
Heritage Assets													
Heritage Assets	7,863,705				1,846,350		1,846,350	7,863,705				-	7,863,705
	7,863,705	-	-	-	1,846,350	-	1,846,350	7,863,705	-	-	-	-	7,863,705
Other Assets													
Computer Equipment	18,758,081	864,361		(4,046,334)				15,576,108	11,233,140	2,672,711	(3,075,107)	10,830,744	4,745,364
Furniture and Equipment	21,815,224	548,495		(721,711)				21,642,009	16,624,440	1,322,698	(435,809)	17,511,329	4,130,680
Other Machinery and Equipment	14,459,511	577,926		(1,662,051)				13,375,386	9,775,223	1,257,451	(994,375)	10,038,299	3,337,087
Motor Vehicles	94,827,871	6,003,127		(409,016)				100,421,982	54,708,764	8,383,915	(246,951)	62,845,727	37,576,255
Assets Held for Sale								-				-	-
	149,860,688	7,993,909	-	(6,839,112)	-	-	-	151,015,485	92,341,567	13,636,774	-4,752,241	101,226,100	49,789,385
Total	2,095,484,419	19,265,108	219,038,765	(7,066,634)	92,916,120	-	311,954,885	2,326,721,658	616,512,019	59,783,384	-4,517,409	671,777,994	1,654,943,664

APPENDIX C (UNAUDITED)  
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Directorate	Cost							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	3,568,005	71,609						3,639,615	741,606	256,708	(12,563)	985,751	2,653,864
Municipal General	3,024,073	359,847						3,383,920	1,258,735	458,929	(19,615)	1,698,049	1,685,871
Municipal Manager	2,105,979	20,769						2,126,748	825,592	159,856	(234,832)	750,616	1,376,132
Corporate Services	36,726,808	619,754						37,346,562	8,894,102	798,654	(529,345)	9,163,411	28,183,151
Community Services	339,064,266	75,146	8,508,189		2,982,193		11,490,382	347,647,601	73,511,614	8,442,820	(1,352,362)	80,602,072	267,045,528
Financial Services	17,700,964	563,481						18,264,445	7,010,059	659,863	(596,620)	7,073,302	11,191,144
Strategic and Economic Development	37,849,235	355,320						38,204,555	10,874,428	1,918,849	(1,290,289)	11,502,988	26,701,566
Infrastructure and Services	1,655,445,089	17,199,181	210,530,576	(7,066,634)	89,933,927		300,464,504	1,876,108,213	513,395,883	47,087,705	(481,783)	560,001,805	1,316,106,408
TOTAL	2,095,484,419	19,265,108	219,038,765	(7,066,634)	92,916,120	-	311,954,885	2,326,721,658	616,512,019	59,783,384	(4,517,409)	671,777,994	1,654,943,664

**APPENDIX D (UNAUDITED)**  
**SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**30 JUNE 2018**

	2018 Original Budget	2018 Adjustment	2018 Final Budget	2018 Variance Original vs Final Budget %	2018 Explanation of variances greater than 10% Original versus Final Budget	2018 Actual Income & Expenditure R	2018 Variance Actual vs Final Budget R	2018 Variance Actual vs Final Budget %	2018 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	%		R	R	%	
<b>Income per directorate</b>									
Executive and Council			—						
Municipal General	412,281,347	67,594,200	479,875,547	16%	Increases on: grant funding and interest received.	492,849,732	12,974,185	3%	
Municipal Manager	2,213,653	-	2,213,653	0%		2,037,156	(176,497)	-8%	Income not realising.
Corporate Services	7,723,500	-	7,723,500	0%		4,553,467	(3,170,033)	-41%	Grant income not realising.
Community Services	87,903,984	2,400,000	90,303,984	3%		103,310,589	13,006,605	14%	Income fines increased.
Financial Services	526,681,364	(8,365,000)	518,316,364	-2%		497,826,778	(20,489,586)	-4%	
Strategic and Economic Development	9,467,000	(2,700,000)	6,767,000	-29%	Reduce income	6,861,212	94,212	1%	
Infrastructure and Services	1,058,047,007	(50,000,001)	1,008,047,006	-5%	Reduce income	945,709,265	(62,337,741)	-6%	Internal services used moved from General Expenditure.
<b>Total</b>	<b>2,104,317,855</b>	<b>8,929,199</b>	<b>2,113,247,054</b>	<b>0%</b>		<b>2,053,148,198</b>	<b>(60,098,856)</b>	<b>-3%</b>	
<b>Expenditure per directorate</b>									
Executive and Council	43,808,042	2	43,808,044	0%		43,800,969	(7,075)	0%	Employee costs and Councillor's remuneration.
Municipal General	322,417,927	8,136,085	330,554,012	3%		283,273,770	(47,280,242)	-14%	As a result of actuarial valuation.
Municipal Manager	20,538,704	1,700,000	22,238,704	8%		18,575,658	(3,663,046)	-16%	Saving on vacancies not filled.
Corporate Services	65,620,129	6	65,620,135	0%		59,010,911	(6,609,224)	-10%	Saving on vacancies not filled.
Community Services	249,676,382	1,275,001	250,951,383	1%		239,726,936	(11,224,447)	-4%	
Financial Services	127,796,354	(615,004)	127,181,350	0%		112,282,416	(14,898,935)	-12%	Saving on vacancies not filled.
Strategic and Economic Development	54,183,309	525,200	54,708,509	1%		54,707,944	(565)	0%	
Infrastructure and Services	1,052,449,844	10,299,991	1,062,749,835	1%		1,021,412,605	(41,337,230)	-4%	Internal services moved from General Expenditure to Income.
<b>Total</b>	<b>1,936,490,692</b>	<b>21,321,280</b>	<b>1,957,811,972</b>	<b>1%</b>		<b>1,832,791,208</b>	<b>(125,020,764)</b>	<b>-6%</b>	<b>Due to the savings in general expenditure, employee costs and bulk purchases.</b>
<b>Surplus/(Deficit)</b>	<b>167,827,163</b>	<b>(12,392,081)</b>	<b>155,435,082</b>	<b>-7%</b>	<b>Increase on grant funding for capital.</b>	<b>220,356,990</b>	<b>64,921,908</b>	<b>42%</b>	<b>Due to the savings in expenditure .</b>

**APPENDIX E (UNAUDITED)**  
**SOL PLAATJE LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT**

**Grants and Subsidies received for the year ended 30 June 2018**

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	7,000,000	7,000,000	-	7,000,000	None	Yes	None
Primary Health	Provincial					No payment received. Debtor outstanding is R5 395 666.	Yes	None
EPWP	Provincial	4,762,000	4,762,000	-	4,762,000	None	Yes	None
Equitable Share	National	150,981,680	N/A	-	150,981,680	None	Yes	None
WSIG	National	25,000,000	10,149,887	-	25,000,000	None	Yes	None
Financial Management Grant	National	1,700,000	1,700,000	-	1,700,000	None	Yes	None
MIG	National	42,503,000	36,699,896	-	42,503,000	None	Yes	None
MSIG	National			-	1,225,200	None	Yes	None
INEP	National	26,000,000	26,000,000	-	26,000,000	None	Yes	None
EEDSM	National	6,000,000	6,000,000		6,000,000	None	Yes	None
ISDG (Skills)	National	4,633,000	1,492,310	-	4,633,000	None	Yes	None
Frances Baard Municipality	Municipality	2,826,173	3,907,947	-	N/A	None.	N/A	None
Coghsta	Provincial					None. Debtor outstanding is R32 207 643.	Yes	None
Department of Economic Dev	Provincial		599,241		N/A	None	Yes	None
DSAC	Provincial		2,356,720	-	8,305,827	None	Yes	None
GURP	Provincial					None. Debtor outstanding is R11 382 594.	Yes	None
RBIG	National	20,000,000	25,834,118		20,000,000	No payment received. Debtor outstanding is R12 771 603.	Yes	None
NDPG	National	97,537,000	97,537,000	-	97,537,000	None	Yes	None
<b>Total</b>		<b>388,942,853</b>	<b>224,039,118</b>	<b>0</b>	<b>395,647,707</b>			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.  
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.

**APPENDIX F (UNAUDITED)**  
**SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1/2017/18	Van Schaik Bookstore	Procurement of prescribed books for Councillors studying in Fort Hare University	135,922	M Van Zyl	Sole provider
2/2017/18	ABB South Africa (Pty) Ltd	Procurement of Unigear Switchgear from ABB	1,784,097	O Groenewaldt	Exceptional cases
3/2017/18	Nanyata Sivaya Holdings	Tram operation training for Tram drivers	62,780	N Poolo	Exceptional cases
4/2017/18	Travel Dot Com PTY LTD	Accommodation and transport for 152 participation. 2x60 seater buses	767,916	O Mojanaga	Exceptional cases
5/2017/18	Halsted and Company (PTY)LTD	Procurement of uniform for Sport Recreation Club	200,252	O Mojanaga	Exceptional cases
6/2017/18	Tele Tronic	Supply and delivery of traffic Signal Equipment	137,709	N Sinombe	Exceptional cases
7/2017/18	DTM Software Partners (PTY) LTD	Procurement of license agreement for users (Human Resources and Equity)	168,240	M Van Zyl	Sole provider
8/2017/18	EPP Enterprises	Replacement of damaged roll up door with new door	33,000	R Thomas	An Emergency
9/2017/18	Prokon	Quality control of fresh produce at the market	55,281	J Taku	Sole provider
10/2017/18	University of Fort Hare	Payment for councillors studying at Fort Hare University	868,000	M Van Zyl	Sole provider
11/2017/18	Sanitech	Supply and delivery of sanitation facilities (chemical toilets) for various informal settlements in and around City	469,224	ME Seleho	Exceptional cases
12/2017/18	Zilko Tours & Travel	Car hire for the Executive Mayor from 16-29 June 2017	31,842	GT Mosimane	Exceptional cases
13/2017/18	Zilko Tours & Travel	Car hire for the Executive Mayor from 24 July - 07 August 2017	36,042	GT Mosimane	Exceptional cases
14/2017/18	Ontec Systems PTY LTD (ITRON)	Purchase of pre-paid meters	1,248,300	O Groenewaldt, J Modutle	Exceptional cases
15/2017/18	Sekate Consulting (Pty) LTD	Planning & Surveying in order to relocate Santa Centre overflow of households, Galeshewe, (+- 107 overflow Erven)	382,375	N Modiba,	Exceptional cases
16/2017/18	Astra Travel	Accommodation for 18 Councillors that will be attending SAMSRA Games in Rustenburg	148,163	S Jonas	Exceptional cases
17/2017/18	APE Pumps	Riverton WTP High Lift Pump # 10 repairs	115,756	ME Seleho	An Emergency
18/2017/18	Rand Water Analytical Services	Full analysis domestic supply without micro cyst	64,786	S Mkhize	Sole Provider
19/2017/18	Marce Project (PTY) LTD	Emergency repairs on Scania Fire Tender	93,582	MW Pretorius	An Emergency
20/2017/18	Human Communications PTY (LTD)	Advertising Municipal Manager Position in the newspapers	34,926	E Jacobs	Exceptional cases
21/2017/18	Iceburg Group PTY (LTD)	Additional works and dealing with hard-rock excavations and excessive water at Newton Reservoir Site	4,781,196	HF Harding	Exceptional cases
22/2017/18	Gordons Trucks and Auto Spares	Parts for Brake Overhaul	198,000	P Gray	Exceptional cases
23/2017/18	Zilko Tours & Travel	Accommodation and Bus Hire for the Sol Plaatje Municipality Choir travelling to East London	129,180	O Mojanaga	Exceptional cases
24/2017/18	Zilko Tours & Travel	Accommodation and Bus hire for the Sol Plaatje Sports Member travelling to Mangaung	198,600	O Mojanaga	Exceptional cases
25/2017/18	PV Engineering SA (PTY)LTD	Refurbish of DN 400 PN25 wedge gate valve complete with DN 80 by pass, DN400 PN25 single door reflux valve	108,549	S Coetzee	An Emergency
26/2017/18	Zilko Tours & Travel	Accommodation for Ad hoc Committee who went to the Benchmarking Exercise towards Nelson Mandela at the King Dalinyebo Local Municipality	36,552	ES Mdali	Exceptional cases
27/2017/18	Zilko Tours & Travel	Car hire for the Mayor since the official car was in for service	36,342	GT Mosimane	Exceptional cases
28/2017/18	Zilko Tours & Travel	Car hire for the Mayor since the official car was in for service	45,342	GT Mosimane	Exceptional cases
29/2017/18	Bartoworld	Repairs to Transmission	153,145	M Arthur	Sole Provider
30/2017/18	ACDC Express	Procurement of Christmas decorations	188,108	B Anthony	Exceptional cases
31/2017/18	Interconnect Systems (PTY) LTD	Installation Fiber Link to City Hall	38,862	M Motlhaudi	Exceptional cases
32/2017/18	Parsons Home Appliances CC	Supply, delivery and assembly of Furniture	67,830	BM Janse van Rensburg	Exceptional cases
33/2017/18	Imperial Nissan Kimberley	Procurement of complete engine (Nissan KA 20)	61,097	MP Arthur	Sole Provider
34/2017/18	Nandina trading 551 cc T/A TRS	Procurement of Services for the removal of faulty transformer at Hadison Park Substation and Installation of spare transformer	230,485	O Groenewaldt	Exceptional cases
35/2017/18	Marce Projects (PTY)LTD	Replacement of single stage fire pump (F101)	315,939	MW Pretorius	An Emergency
36/2017/18	PSA AFRICA PTY LTD	Procurement of 10 portable gas detectors (MSA ALTAIR 4X MULTI GAS DETECTOR)	129,275	ME Seleho	Sole Provider
37/2017/18	Microsoft Corporation	Microsoft EA Agreement. (Software licenses for Microsoft products used by the Municipality in day to day operations)	2,485,929	WL Gouws	Sole Provider
38/2017/18	Uyapo Engineering Projects	Cleaning of Galeshewe sewer outfall main	1,776,292	ME Seleho	An Emergency
39/2017/18	Limri Enterprises	Collation, Editing, Proof-reading and design and Layout of the Annual Report 2016/17	289,731	C Henderson	Sole Provider
40/2017/18	Mubeko Africa Municipal Business Consultants	Professional Services to analyse, consider the proposals and recommend improvements to the organogram to be more efficient, effective and Service Delivery Driven	198,522	M van Zyl	Exceptional cases
41/2017/18	Lexis Nexis	Road Traffic/Transport Act 93/1996 Annual Subscription 2017/2018	38,882	CFM Langford	Sole Provider
42/2017/18	Weird Industries cc	Extinguishing of burning sludge at homevale WWTW by removing and stock-piling it in emergency and irrigation ponds, using grader, excavator and front-end-loader	976,752	S Mkhize	An Emergency
43/2017/18	DRH Steel	Manufacture, Supply and install three (3) 965x200mm unequal scour tee's on rising main from Riverton	716,550	HF Harding	Exceptional cases
44/2017/18	Matgen (PTY)LTD	Emergency repairs of water leaks on the 965mm rising main (potable water)	192,150	S Mkhize	An Emergency
45/2017/18	Universal Equipment	Supply and fit new rotary screw compressor at new plant	100,472	S Soetjee	An Emergency
46/2017/18	Lethabile Couches	Hiring of Buses for the community to attend the National Armed Forces Day	64,800	GT Mosimane	An Emergency
47/2017/18	Umphile trade and investment	Rental of mobile toilets for Armed force week	265,000	GT Mosimane	An Emergency
48/2017/18	Gem Con	Scraping, grading and construction of access gravel road for the rising main between Riverton and Kimberley	1,221,700	S Mkhize	An Emergency
49/2017/18	C-pac Pumps and Valves	Procurement of cascade clamps	73,503	D Leeuw	Exceptional cases
50/2017/18	Prokon	Inspection of product on Market Floor	81,937	J Taku	Sole provider
51/2017/18	Zilko Tours & Travel	Car Hire	31,842	GT Mosimane	Exceptional cases
52/2017/18	C-pac Pumps and Valves	Execution of additional work to contract INFRA/CEE/08/2016. Repairs to pumps and motors for 10 000KW AEI Electric motors for high lift pumps No.7,8 and 10	797,336	S Mkhize	An Emergency
53/2017/18	Orange Toyota	Complete engine for a Toyota Quantum Panel van 2012 year model	89,089	M Arthur	Sole provider
54/2017/18	Umphile trade and investment	Rental of mobile toilets for Armed force week	37,100	GT Mosimane	An Emergency
55/2017/18	Auto Door	Supply and install two electronic aluminium overhead bay doors at Galeshewe Fire Station	180,342	NJ Sephiri	Sole provider
56/2017/18	MA & R Consulting (PTY)LTD	Verification and updating of indigent Register	3,000,000	K Samolapo	Exceptional cases
57/2017/18	RiskCom SA	Payment for training	31,776	M van Zyl	Exceptional cases
58/2017/18	Sparks & Ellis Unifoms	Supply and delivery of Traffic Officer Uniform 2017/2018	184,885	CFM Langford	An Emergency
59/2017/18	Sanitech Toilet Hire	Supply and delivery of sanitation facilities (chemical toilet) for various informal settlements in and around the city	920,000	ME Seleho	Exceptional cases
60/2017/18	Roburn Construction	Construction of multi-purpose sports court in Galeshewe	1,201,187	M Seleho	Exceptional cases
61/2017/18	Spectrum	Supply and delivery of Scada Equipment	431,855	N Sinombe	Exceptional cases
62/2017/18	C-Pac Pumps & Valves	Supply of Reflux Valve	78,660	S Coetzee	An Emergency
63/2017/18	TRS	Installation of new ABB Unigear at Birbeck Street Substation	194,600	O Groenewaldt	Sole Supplier
64/2017/18	C-Pac Pumps & Valves	Repair to high Lift Pump 7: Shaft replacement and impeller rebuild, with related parts and accessories	1,964,882	S Mkhize	An Emergency
65/2017/18	Bra Joe's Steel Works & General Construction	Rehabilitation and Reconstruction of six pedestrian bridges in Galesheer	315,530	TL Raseobi	An Emergency
66/2017/18	Ronre Electrical	Supply and delivery of protection relay	143,824	N Sinombe	An Emergency
67/2017/18	Gordons Trucks	Supply and delivery of Motor Parts as per attached quotation	65,918	P Gray	Exceptional cases
68/2017/18	Gordons Trucks	Supply and delivery of Motor Parts as per attached quotation	117,759	P Gray	Exceptional cases
69/2017/18	Serveest (Pty)Ltd	Appointment of a contractor to refurbish and upgrading of a multi-purpose hall in De Beers stadium	1,617,030	M Seleho	Exceptional cases
70/2017/18	TRS	Refurbishment and modification of existing ABB Unigear Switchgear and installation of a new ABB Unigear Switchgear in Roodepan Switch House No.2	182,686	N Zwane	Sole Supplier
71/2017/18	Marce Projects	Repair faults on Fire Fighting Vehicle (F101)	305,971	R Janse van Vuuren	An Emergency
72/2017/18	Ben Ben Technologies	Supply 60 watt led light head,185/200 watt led light head & replace 70 watt HPS with 40w led head	5,997,921	O Groenewaldt	Exceptional cases
73/2017/18	Trek Scale Company( Pty)Limited	To test and verify 80 Ton Toledo IND560 road weighbridge	95,565	CFM Langford	Sole Supplier
74/2017/18	CK Industries	Appointment of a contractor to refurbish and re-paint the athletic track in De Beers stadium	1,474,106	M Seleho	Exceptional cases
75/2017/18	GCP Construction	Emergency Excavation to divert sewer spillage in Parakiet Street Roodepan	86,480	HF Harding	An Emergency
76/2017/18	Cherry Green Media (Pty)Ltd	Public Relations and Media Campaign (all media) to disseminate the correct budget information and ancillary matters specifically around electricity tariffs	199,891	Adv.A. Kloppe	Exceptional cases
77/2017/18	The Print Zone	Development and printing of various pamphlets for the mass media campaign on correct interpretation and implementation of electricity tariffs for 2018/19	241,500	Adv.A. Kloppe	Exceptional cases



**APPENDIX G**  
**SOL PLAATJE LOCAL MUNICIPALITY**  
**APPROPRIATION STATEMENT FOR THE ENDED 30 JUNE 2018**

**NC091 Sol Plaatje - Reconciliation of Table A1 Budget Summary**

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	511,595	0	511,595	492,400		(19,195)	96.2%	96.2%				455,092
Service charges	1,078,943	(48,900)	1,030,043	919,413		(110,630)	89.3%	85.2%				951,040
Investment revenue	20,000	–	20,000	18,700		(1,300)	93.5%	93.5%				21,576
Transfers recognised - operational	173,256	2,086	175,342	172,480		(2,862)	98.4%	99.6%				165,337
Other own revenue	160,934	(7,800)	153,134	242,560		89,425	158.4%	150.7%				198,630
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,944,729</b>	<b>(54,614)</b>	<b>1,890,115</b>	<b>1,845,554</b>		<b>(44,561)</b>	<b>97.6%</b>	<b>94.9%</b>				<b>1,791,676</b>
Employee costs	679,381	(0)	679,381	647,309	–	(32,072)	95.3%	95.3%	–	–	–	567,317
Remuneration of councillors	27,675	0	27,675	28,409	–	735	102.7%	102.7%	–	–	–	25,011
Debt impairment	203,000	–	203,000	240,467	–	37,467	118.5%	118.5%	–	–	–	190,195
Depreciation & asset impairment	67,510	–	67,510	64,071	–	(3,439)	94.9%	94.9%	–	–	–	56,982
Finance charges	26,812	(0)	26,812	27,213	–	401	101.5%	101.5%	–	–	–	27,789
Materials and bulk purchases	663,921	3,195	667,117	662,597	–	(4,520)	99.3%	99.8%	–	–	–	613,714
Transfers and grants	9,470	20	9,490	9,325	–	(165)	98.3%	98.5%	–	–	–	7,984
Other expenditure	258,721	18,106	276,828	153,400	–	(123,428)	55.4%	59.3%	–	–	–	133,341
<b>Total Expenditure</b>	<b>1,936,491</b>	<b>21,321</b>	<b>1,957,812</b>	<b>1,832,791</b>	<b>–</b>	<b>(125,021)</b>	<b>93.6%</b>	<b>94.6%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,622,333</b>
<b>Surplus/(Deficit)</b>	<b>8,238</b>	<b>(75,935)</b>	<b>(67,697)</b>	<b>12,763</b>		<b>80,460</b>	<b>-18.9%</b>	<b>154.9%</b>				<b>169,344</b>
Transfers recognised - capital	159,589	63,543	223,132	203,033		(20,099)	91.0%	127.2%				89,523
Contributions recognised - capital & contributed assets	–	–	–	4,561		4,561						–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
<b>Surplus/(Deficit) for the year</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>	<b>232,066</b>	<b>77,135</b>	<b>313,941</b>	<b>248,100</b>		<b>(65,841)</b>	<b>79.0%</b>	<b>106.9%</b>				<b>119,691</b>
Transfers recognised - capital	159,589	63,543	223,132	203,033		(20,099)	91.0%	127.2%				89,523
Public contributions & donations	–	–	–	4,561		4,561	#DIV/0!	#DIV/0!				–
Borrowing	–	–	–	–		–	–	–				–
Internally generated funds	72,476	18,333	90,809	40,505		(50,304)	44.6%	55.9%				30,168
<b>Total sources of capital funds</b>	<b>232,066</b>	<b>81,875</b>	<b>313,941</b>	<b>248,100</b>		<b>(65,841)</b>	<b>79.0%</b>	<b>106.9%</b>				<b>119,691</b>
<b>Cash flows</b>												
Net cash from (used) operating	246,139	90,314	336,454	139,372		(197,082)	41.4%	56.6%				114,354
Net cash from (used) investing	(232,066)	(81,875)	(313,941)	(248,100)		65,841	79.0%	106.9%				(119,691)
Net cash from (used) financing	(5,385)	–	(5,385)	(1,767)		3,618	32.8%	32.8%				(8,204)
<b>Cash/cash equivalents at the year end</b>	<b>243,689</b>	<b>–</b>	<b>243,689</b>	<b>135,240</b>		<b>(108,449)</b>	<b>55.5%</b>	<b>55.5%</b>				<b>245,735</b>

## NC091 Sol Plaatje - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<b>Governance and administration</b>	947,066	59,229	1,006,295	995,678		(10,617)	98.9%	105.1%				867,059
Executive and council	412,281	67,594	479,876	492,850		12,974	102.7%	119.5%				402,153
Budget and treasury office	534,785	(8,365)	526,420	502,828		(23,592)	95.5%	94.0%				459,227
Corporate services	-	-	-	-		-	-	-				5,678
<b>Community and public safety</b>	26,536	(1,500)	25,036	23,615		(1,420)	94.3%	89.0%				44,026
Community and social services	11,213	(600)	10,613	9,900		(713)	93.3%	88.3%				30,855
Sport and recreation	5,002	(1,000)	4,002	3,615		(386)	90.3%	72.3%				3,276
Public safety	90	100	190	253		63	133.0%	280.7%				128
Housing	10,201	-	10,201	9,790		(411)	96.0%	96.0%				9,692
Health	30	-	30	58		28	191.9%	191.9%				75
<b>Economic and environmental services</b>	17,821	(1,300)	16,521	25,773		9,252	156.0%	144.6%				12,934
Planning and development	6,349	(1,200)	5,149	4,627		(521)	89.9%	72.9%				2,575
Road transport	11,472	(100)	11,372	21,145		9,773	185.9%	184.3%				10,359
Environmental protection	-	-	-	-		-	-	-				
<b>Trading services</b>	1,104,777	(50,000)	1,054,777	993,173		(61,604)	94.2%	89.9%				953,435
Electricity	711,106	(40,000)	671,106	598,723		(72,383)	89.2%	84.2%				594,267
Water	264,326	(10,000)	254,326	267,121		12,795	105.0%	101.1%				237,761
Waste water management	72,382	-	72,382	73,265		883	101.2%	101.2%				69,578
Waste management	56,963	-	56,963	54,064		(2,899)	94.9%	94.9%				51,830
<b>Other</b>	8,118	2,500	10,618	14,909		4,291	140.4%	183.7%				3,744
<b>Total Revenue - Standard</b>	2,104,318	8,929	2,113,247	2,053,148		(60,099)	97.2%	97.6%				1,881,199
<b>Expenditure - Standard</b>												
<b>Governance and administration</b>	613,208	6,989	620,197	606,784	-	(13,413)	97.8%	99.0%	-	-	-	427,536
Executive and council	374,830	10,882	385,712	401,946		16,234	104.2%	107.2%				267,503
Budget and treasury office	232,905	(4,093)	228,812	199,644		(29,169)	87.3%	85.7%				96,601
Corporate services	5,473	200	5,673	5,194		(479)	91.6%	94.9%				63,431
<b>Community and public safety</b>	162,688	3,122	165,810	144,359	-	(21,451)	87.1%	88.7%	-	-	-	180,983
Community and social services	35,540	235	35,775	34,210		(1,565)	95.6%	96.3%				71,698
Sport and recreation	52,376	650	53,026	43,402		(9,624)	81.9%	82.9%				41,225
Public safety	33,476	1,447	34,923	33,575		(1,349)	96.1%	100.3%				36,148
Housing	24,410	700	25,110	19,515		(5,596)	77.7%	79.9%				17,672
Health	16,886	90	16,976	13,658		(3,317)	80.5%	80.9%				14,240
<b>Economic and environmental services</b>	121,224	478	121,702	114,119	-	(7,583)	93.8%	94.1%	-	-	-	98,442
Planning and development	45,191	525	45,716	41,528		(4,189)	90.8%	91.9%				39,105
Road transport	75,437	(47)	75,390	72,015		(3,375)	95.5%	95.5%				59,337
Environmental protection	596	-	596	576		(20)	96.7%	96.7%				
<b>Trading services</b>	1,017,279	10,532	1,027,810	946,817	-	(80,993)	92.1%	93.1%	-	-	-	907,337
Electricity	666,189	1,500	667,689	628,467		(39,222)	94.1%	94.3%				616,512
Water	223,230	5,600	228,830	205,859		(22,970)	90.0%	92.2%				176,301
Waste water management	70,996	3,432	74,428	58,385		(16,043)	78.4%	82.2%				60,888
Waste management	56,863	-	56,863	54,105		(2,758)	95.1%	95.1%				53,636
<b>Other</b>	22,092	200	22,292	20,711		(1,581)	92.9%	93.7%				8,035
<b>Total Expenditure - Standard</b>	1,936,491	21,321	1,957,812	1,832,791	-	(125,021)	93.6%	94.6%	-	-	-	1,622,333
<b>Surplus/(Deficit) for the year</b>	167,827	(12,392)	155,435	220,357	-	64,922	141.8%	131.3%	-	-	-	258,866

## NC091 Sol Plaatje - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - EXECUTIVE AND COUNCIL	–	–	–	–		–						–
Vote 2 - MUNICIPAL AND GENERAL	412,281	67,594	479,876	492,850		12,974	102.7%	119.5%				441,012
Vote 3 - MUNICIPAL MANAGER	2,214	–	2,214	2,037		(176)	92.0%	92.0%				–
Vote 4 - CORPORATE SERVICES	7,724	–	7,724	4,553		(3,170)	59.0%	59.0%				5,358
Vote 5 - COMMUNITY SERVICES	87,904	2,400	90,304	101,492		11,188	112.4%	115.5%				89,884
Vote 6 - FINANCIAL SERVICES	526,681	(8,365)	518,316	497,827		(20,490)	96.0%	94.5%				459,318
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	9,467	(2,700)	6,767	6,861		94	101.4%	72.5%				6,640
Vote 8 - INFRASTRUCTURE AND SERVICES	1,058,047	(50,000)	1,008,047	947,528		(60,519)	94.0%	89.6%				878,988
<b>Total Revenue by Vote</b>	<b>2,104,318</b>	<b>8,929</b>	<b>2,113,247</b>	<b>2,053,148</b>		<b>(60,099)</b>	<b>97.2%</b>	<b>97.6%</b>				<b>1,881,199</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - EXECUTIVE AND COUNCIL	43,808	–	43,808	43,801		(7)	100.0%	100.0%			–	43,422
Vote 2 - MUNICIPAL AND GENERAL	322,418	8,136	330,554	346,362		15,808	104.8%	107.4%			–	207,317
Vote 3 - MUNICIPAL MANAGER	20,539	1,700	22,239	18,576		(3,663)	83.5%	90.4%			–	16,855
Vote 4 - CORPORATE SERVICES	65,620	–	65,620	56,567		(9,054)	86.2%	86.2%			–	51,493
Vote 5 - COMMUNITY SERVICES	249,676	1,275	250,951	227,420		(23,531)	90.6%	91.1%			–	220,257
Vote 6 - FINANCIAL SERVICES	127,796	(615)	127,181	112,282		(14,899)	88.3%	87.9%			–	106,379
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	54,183	525	54,709	53,124		(1,585)	97.1%	98.0%			–	49,209
Vote 8 - INFRASTRUCTURE AND SERVICES	1,052,450	10,300	1,062,750	974,659		(88,090)	91.7%	92.6%			–	927,400
<b>Total Expenditure by Vote</b>	<b>1,936,491</b>	<b>21,321</b>	<b>1,957,812</b>	<b>1,832,791</b>	<b>–</b>	<b>(125,021)</b>	<b>93.6%</b>	<b>94.6%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,622,333</b>
<b>Surplus/(Deficit) for the year</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>

## NC091 Sol Plaatje - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2017/18								2016/17			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	511,595	0	511,595	492,400		(19,195)	96.2%	96.2%				455,092
Property rates - penalties & collection charges	–	–	–			–	–	–				
Service charges - electricity revenue	711,106	(40,000)	671,106	584,943		(86,163)	87.2%	82.3%				594,267
Service charges - water revenue	264,046	(10,000)	254,046	227,138		(26,909)	89.4%	86.0%				236,344
Service charges - sanitation revenue	59,482	1,100	60,582	62,104		1,522	102.5%	104.4%				68,610
Service charges - refuse revenue	44,309	(0)	44,309	45,229		920	102.1%	102.1%				51,820
Service charges - other	–	–	–			–	–	–				
Rental of facilities and equipment	11,115	–	11,115	10,566		(549)	95.1%	95.1%				10,025
Interest earned - external investments	20,000	–	20,000	18,700		(1,300)	93.5%	93.5%				21,576
Interest earned - outstanding debtors	97,629	–	97,629	174,794		77,165	179.0%	179.0%				130,078
Dividends received	–	–	–			–	–	–				
Fines	22,430	(7,000)	15,430	21,830		6,400	141.5%	97.3%				19,915
Licences and permits	2,905	–	2,905	5,312		2,407	182.9%	182.9%				2,801
Agency services	–	4,000	4,000	5,539		1,539	138.5%	#DIV/0!				6,975
Transfers recognised - operational	173,256	2,086	175,342	172,480		(2,862)	98.4%	99.6%				165,337
Other revenue	26,855	(4,800)	22,055	24,518		2,463	111.2%	91.3%				26,177
Gains on disposal of PPE	–	–	–			–	–	–				2,659
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,944,729</b>	<b>(54,614)</b>	<b>1,890,115</b>	<b>1,845,554</b>		<b>(44,561)</b>	<b>97.6%</b>	<b>94.9%</b>				<b>1,791,676</b>
<b>Expenditure By Type</b>												
Employee related costs	679,381	(0)	679,381	647,309		(32,072)	95.3%	95.3%			–	567,317
Remuneration of councillors	27,675	0	27,675	28,409		735	102.7%	102.7%			–	25,011
Debt impairment	203,000	–	203,000	240,467		37,467	118.5%	118.5%			–	190,195
Depreciation & asset impairment	67,510	–	67,510	64,071		(3,439)	94.9%	94.9%			–	56,982
Finance charges	26,812	(0)	26,812	27,213		401	101.5%	101.5%			–	27,789
Bulk purchases	524,000	–	524,000	501,334		(22,666)	95.7%	95.7%			–	491,966
Other materials	139,921	3,195	143,117	161,263		18,146	112.7%	115.3%			–	121,748
Contracted services	44,219	12,955	57,174	53,354		(3,820)	93.3%	120.7%			–	42,170
Transfers and grants	9,470	20	9,490	9,325		(165)	98.3%	98.5%			–	7,984
Other expenditure	214,502	5,151	219,653	97,892		(121,762)	44.6%	45.6%			–	87,862
Loss on disposal of PPE	–	–	–	2,154		2,154	#DIV/0!	#DIV/0!			–	3,309
<b>Total Expenditure</b>	<b>1,936,491</b>	<b>21,321</b>	<b>1,957,812</b>	<b>1,832,791</b>	<b>–</b>	<b>(125,021)</b>	<b>93.6%</b>	<b>94.6%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,622,333</b>
<b>Surplus/(Deficit)</b>	<b>8,238</b>	<b>(75,935)</b>	<b>(67,697)</b>	<b>12,763</b>		<b>80,460</b>	<b>-18.9%</b>	<b>154.9%</b>				<b>169,344</b>
Transfers recognised - capital	159,589	63,543	223,132	203,033		(20,099)	91.0%	127.2%				89,523
Contributions recognised - capital	–	–	–			–	–	–				
Contributed assets	–	–	–	4,561		4,561	#DIV/0!	#DIV/0!				
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>
Taxation	–	–	–			–	–	–				
<b>Surplus/(Deficit) after taxation</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>
Attributable to minorities	–	–	–			–	–	–				
<b>Surplus/(Deficit) attributable to municipality</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>
Share of surplus/ (deficit) of associate	–	–	–			–	–	–				
<b>Surplus/(Deficit) for the year</b>	<b>167,827</b>	<b>(12,392)</b>	<b>155,435</b>	<b>220,357</b>		<b>64,922</b>	<b>141.8%</b>	<b>131.3%</b>				<b>258,866</b>

NC091 Sol Plaatje - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2017/18								2016/17			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - EXECUTIVE AND COUNCIL	3,000	—	3,000	1,072		(1,928)	36%	36%			—	
Vote 2 - MUNICIPAL AND GENERAL	—	—	—	—		—	—	—			—	
Vote 3 - MUNICIPAL MANAGER	—	—	—	—		—	—	—			—	
Vote 4 - CORPORATE SERVICES	—	—	—	—		—	—	—			—	
Vote 5 - COMMUNITY SERVICES	—	—	—	—		—	—	—			—	3,002
Vote 6 - FINANCIAL SERVICES	2,000	—	4,593	2,357		(2,236)	51%	118%			—	—
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	24,100	—	24,100	355		(23,745)	1%	1%			—	—
Vote 8 - INFRASTRUCTURE AND SERVICES	73,482	82,480	155,963	152,428		(3,535)	98%	207%			—	37,767
<b>Capital multi-year expenditure</b>	<b>102,582</b>	<b>82,480</b>	<b>187,655</b>	<b>156,212</b>	<b>—</b>	<b>(31,444)</b>	<b>83%</b>	<b>152%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>40,769</b>
<b>Single-year expenditure</b>												
Vote 1 - EXECUTIVE AND COUNCIL	7,000	—	6,154	—		(6,154)					—	2,036
Vote 2 - MUNICIPAL AND GENERAL	—	—	—	—		—					—	—
Vote 3 - MUNICIPAL MANAGER	—	—	—	—		—					—	—
Vote 4 - CORPORATE SERVICES	—	—	—	—		—					—	4,083
Vote 5 - COMMUNITY SERVICES	16,695	—	17,389	8,583		(8,806)	49%	51%			—	24,416
Vote 6 - FINANCIAL SERVICES	—	—	2,300	563		(1,737)	24%	#DIV/0!			—	2,665
Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING	—	1,200	1,200	—		(1,200)	—	—			—	7,120
Vote 8 - INFRASTRUCTURE AND SERVICES	105,788	(6,546)	99,243	82,742		(16,501)	83%	78%			—	38,602
<b>Capital single-year expenditure</b>	<b>129,483</b>	<b>(5,346)</b>	<b>126,286</b>	<b>91,888</b>	<b>—</b>	<b>(34,397)</b>	<b>73%</b>	<b>71%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>78,922</b>
<b>Total Capital Expenditure - Vote</b>	<b>232,066</b>	<b>77,135</b>	<b>313,941</b>	<b>248,100</b>	<b>—</b>	<b>(65,841)</b>	<b>79%</b>	<b>107%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>119,691</b>
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>	<b>12,000</b>	<b>6,046</b>	<b>18,046</b>	<b>3,992</b>	<b>—</b>	<b>(14,054)</b>	<b>22%</b>	<b>33%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,418</b>
Executive and council	10,000	1,154	11,154	1,072		(10,082)					—	2,036
Budget and treasury office	2,000	4,893	6,893	2,920		(3,972)	42%	146%			—	4,382
Corporate services	—	—	—	—		—					—	—
<b>Community and public safety</b>	<b>16,695</b>	<b>470</b>	<b>19,542</b>	<b>8,583</b>	<b>—</b>	<b>(10,959)</b>	<b>44%</b>	<b>51%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>24,416</b>
Community and social services	9,809	470	10,279	8,583		(1,696)	84%	88%			—	24,416
Sport and recreation	6,886	—	9,263	—		(9,263)	—	—			—	—
Public safety	—	—	—	—		—	—	—			—	—
Housing	—	—	—	—		—	—	—			—	—
Health	—	—	—	—		—	—	—			—	—
<b>Economic and environmental services</b>	<b>53,726</b>	<b>61,713</b>	<b>115,439</b>	<b>120,679</b>	<b>—</b>	<b>5,240</b>	<b>105%</b>	<b>225%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>24,980</b>
Planning and development	2,800	(800)	2,000	355		(1,645)	18%	13%			—	—
Road transport	50,926	62,513	113,439	120,324		6,885	106%	—			—	24,980
Environmental protection	—	—	—	—		—	—	—			—	—
<b>Trading services</b>	<b>143,644</b>	<b>11,269</b>	<b>154,914</b>	<b>101,619</b>	<b>—</b>	<b>(53,294)</b>	<b>66%</b>	<b>71%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>58,017</b>
Electricity	49,000	(17,000)	32,000	25,105		(6,895)	78%	51%			—	11,144
Water	58,824	29,032	87,855	65,280		(22,575)	74%	111%			—	18,830
Waste water management	35,821	(762)	35,058	11,234		(23,824)	32%	31%			—	16,560
Waste management	—	—	—	—		—	—	—			—	11,483
Other	6,000	—	6,000	13,226		7,226	220%	220%			—	5,860
<b>Total Capital Expenditure - Standard</b>	<b>232,066</b>	<b>79,498</b>	<b>313,941</b>	<b>248,100</b>	<b>—</b>	<b>(65,841)</b>	<b>79%</b>	<b>107%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>119,691</b>
<b>Funded by:</b>												
National Government	159,589	49,237	208,826	200,677		(8,150)	96%	126%				79,416
Provincial Government	—	14,306	14,306	2,357		(11,949)	16%	#DIV/0!				5,106
District Municipality	—	—	—	—		—	—	—				5,000
Other transfers and grants	—	—	—	—		—	—	—				—
<b>Transfers recognised - capital</b>	<b>159,589</b>	<b>63,543</b>	<b>223,132</b>	<b>203,033</b>	<b>—</b>	<b>(20,099)</b>	<b>91%</b>	<b>127%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>89,523</b>
Public contributions & donations	—	—	—	4,561		4,561	#DIV/0!	#DIV/0!				—
Borrowing	—	—	—	—		—	—	—				—
Internally generated funds	72,476	18,333	90,809	40,505		(50,304)	45%	56%				30,168
<b>Total Capital Funding</b>	<b>232,066</b>	<b>81,875</b>	<b>313,941</b>	<b>248,100</b>	<b>—</b>	<b>(65,841)</b>	<b>79%</b>	<b>107%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>119,691</b>

## Please select from list - Reconciliation of Table A7 Budgeted Cash Flows

Description	2017/18							2016/17
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, penalties and collection charges	464,989	–	464,989	368,027	(96,962)	79.1%	79.1%	347,392
Service charges	980,652	–	980,652	643,961	(336,691)	65.7%	65.7%	656,696
Other revenue	63,305	–	63,305	67,279	3,974	106.3%	106.3%	65,893
Government - operating	173,256	2,086	175,342	172,480	(2,862)	98.4%	99.6%	165,337
Government - capital	159,589	63,543	223,132	203,033	(20,099)	91.0%	127.2%	89,523
Interest	44,407	–	44,407	193,494	149,087	435.7%	435.7%	151,654
Dividends	–	–	–	–	–	–	–	–
<b>Payments</b>								
Suppliers and employees	(1,603,777)	24,705	(1,579,072)	(1,472,364)	106,707	93.2%	91.8%	(1,326,369)
Finance charges	(26,812)	–	(26,812)	(27,213)	(401)	101.5%	101.5%	(27,789)
Transfers and Grants	(9,470)	(20)	(9,490)	(9,325)	165	98.3%	98.5%	(7,984)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>246,139</b>	<b>90,314</b>	<b>336,454</b>	<b>139,372</b>	<b>(197,082)</b>	<b>41.4%</b>	<b>56.6%</b>	<b>114,354</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–
Decrease (increase) in non-current debtors	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–
<b>Payments</b>								
Capital assets	(232,066)	(81,875)	(313,941)	(248,100)	65,841	79.0%	106.9%	(119,691)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(232,066)</b>	<b>(81,875)</b>	<b>(313,941)</b>	<b>(248,100)</b>	<b>65,841</b>	<b>79.0%</b>	<b>106.9%</b>	<b>(119,691)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	6,480	6,480	#DIV/0!	#DIV/0!	–
Increase (decrease) in consumer deposits	2,853	–	2,853	–	(2,853)	–	–	–
<b>Payments</b>								
Repayment of borrowing	(8,238)	–	(8,238)	(8,247)	(9)	100.1%	100.1%	(8,204)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(5,385)</b>	<b>–</b>	<b>(5,385)</b>	<b>(1,767)</b>	<b>3,618</b>	<b>32.8%</b>	<b>32.8%</b>	<b>(8,204)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>8,689</b>	<b>8,439</b>	<b>17,128</b>	<b>(110,495)</b>				<b>(13,540)</b>
Cash/cash equivalents at the year begin:	235,000	–	226,561	245,735				259,276
Cash/cash equivalents at the year end:	243,689	–	243,689	135,240	(108,449)	55.5%	55.5%	245,735